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No. 28



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NATIONAL ECONOMIC POLICY

JOURNAL DISCUSSES COLLECTIVELY-OWNED INDUSTRIES IN CITIES, TOWNS

HK240338 Beijing JINGJI YANJIU in Chinese No 9, 20 Sep 79 pp 27-32 HK

[Article by Li Shuren [2621 6615 0088] and Huang Yinzhu [7806 6892 2691]: "Several Questions Which Urgently Await Solution in the Development of Collectively-Owned Industries in Cities and Towns"]

[Text] Collectively-owned industries in cities and towns are an important part of our socialist industry. They have developed greatly over the past 20 years and more and are playing an increasingly important role in the national economy. But the disruptive activities of Lin Biao and the "gang of four" have left a number of questions that hinder the development of collectively-owned industries in cities and towns. With the center of gravity shifted in our national work, we must seriously investigate and study the questions existing in collectively-owned industries in cities and towns and settle them on a practical and realistic basis so that the role of these industries can be brought into full play in the process of achieving the four modernizations.

I

Collectively-owned industries in cities and towns are the collective sector of the economy. Over the past 10 years and more, the relations of production in collectively-owned industries in cities and towns were disrupted by the ultraleftist line of Lin Biao and the "gang of four." As we know, socialist collective ownership is socialist public ownership with the means of production collectively owned and controlled by the working people within a certain limit. Its basic characteristic is the unity of the right of possession and the right of control over the means of production. That is, the working people in a collective economic unit have both the right to possess and the right to control the means of production. Any separation of the right of control from the right of possession is a negation of the collective ownership.

The present relations of production in collective industries in cities and towns, whether they are "large collective" enterprises or "small collective" ones, fall short of the collective ownership in character. It may be said that they are unlike enterprises owned by the collective or enterprises owned by the whole people.

First, the ownership of the means of production is collective in name but the right to control the means of production goes to the competent organs of local government at various levels. These competent organs may readjust, reorganize and merge the industrial enterprises under their jurisdiction and change their operations. They set collective enterprises mandatory economic targets and production plans. They centralize distribution of labor force. The plans worked out by collective industrial enterprises for enlarging their scope of production and undertaking capital construction must be examined and approved by the local competent departments. While collective enterprises carry out independent business accounting, actually the responsibility for profits or losses is no longer assumed by the enterprises concerned but by the competent organs. Thus, the right to control the means of production is separated from the right of possession.

Second, the normal relations are changed between the state and the collective economy. Originally the relations between the state and the collective economy were guiding relations. The collective economic unit has the independent right to act on its own and may draw up plans and arrange production in light of its concrete conditions. It has the right to control and use its means of production and accumulations. It has the right to decide the level of payment for labor of its workers according to the state of its operations. Actually, however, the local competent organs regard the industrial enterprises in cities and towns as state-operated enterprises and transmit mandatory plans and instructions to the collective industrial enterprises. The means of production and accumulations owned by collective industrial enterprises are controlled and used according to unified plans within the local areas. Wage standards are unified for the workers of collective industrial enterprises, and the wage level has no direct connection with the way the enterprises are operated.

Third, distribution of the profits made by collective industrial enterprises is divorced from the principle of collective ownership. As we know, the net income, that is, the income after paying tax and deducting what is distributed to individual workers, should be used mainly for enlarging reproduction of the enterprises concerned and improving the welfare of their workers. Yet, the way the profits (net profit after paying tax) of collective industrial enterprises are distributed and used has changed, whether they are "large collective" or "small collective," compared with the way the collective economic units should distribute and use their profits.

At present, while distribution and use of the profits of "large collective" enterprises vary with different localities, these enterprises have things in common: 1) All profits are turned over to the higher authorities and are controlled and used by local competent organs according to unified plans. 2) The use of profits has no longer any direct connection with enterprise workers or collective workers; the workers cannot concern themselves with the matter.

As to "small collective" enterprises, distribution and use of profits are of a wide variety, but they also have things in common: 1) A considerable part, the vast part of the total of the profits made by "small collective" enterprises are turned over to the competent organs and are no longer controlled by the enterprises concerned. 2) Even if the greater part of these profits are kept by the enterprises concerned in some cases, these enterprises have no right to use them. Thus, the profits made by "small collective" enterprises are actually controlled and used by the local governments and their appointed organs.

This shows that in the case of collective industries in cities and towns the relations of production have deviated from the orbit of collective ownership to a considerable degree. The crux of the matter is that the right to control the means of production is separated from the right to possess them in a collective economy. It is the source of numerous problems found in collective industrial enterprises in cities and towns. If we want to successfully readjust the industrial enterprises in cities and towns, we must solve this fundamental problem of production relations in the first place.

II

Inasmuch as the industrial enterprises in cities and towns are owned by the collective, they ought to enjoy the full independent right to act on their own and decide production, management, operation and distribution themselves. However, the right of enterprises to act on their own has become ever smaller over the past years. Now, apart from everyday production management the industrial enterprises in cities and towns have almost no right to act on their own, and everything is decided by the competent organs. This state of affairs must be changed; the collective ownership must be respected and the right of enterprises to act on their own must be restored.

The right of enterprises in cities and towns to act on their own means precisely their right to democratic management. Integration of centralized leadership with democratic management is one of the basic features of the socialist economy. But for various reasons, what we did in the past to promote democratic management of the economy was far from enough. For more than 10 years, no worker congresses of industrial enterprises in cities and towns or regional worker congresses (called commune members' congress in the past) were convened. The workers of collective industrial enterprises have almost no right to concern themselves with enterprise production plans, operation and management, personnel arrangement and welfare benefits. Nor do the workers have the right to interest themselves in the way the large amounts of profits turned over to the competent organs are used. Consequently, instances are found everywhere in which the accumulations by collective industrial enterprises are indiscriminately transferred and used. All this is incompatible with the character of collective ownership. We insist that the local governments must restore the right of the workers of collective industrial enterprises in cities and towns to exercise their right of democratic management. Worker congresses or worker representative conferences must be periodically convened, and

important questions of enterprise production, operation, management and distribution must be brought up for discussion and decision. To insure and supervise implementation of the resolutions of the worker congresses, the councils and the boards of supervisors of collective industrial enterprises must be restored.

Furthermore, the collective industrial enterprises in cities and towns must have the right to operate and manage. Enterprise operational and management rights find their concentrated expression in their right to independent business accounting. But independent business accounting is not isolated accounting; it should be based on a series of rights to act on their own. For example, the rights to organize production, to transform enterprises, to manage finance, to distribute income and to manage personnel. Without the coordination of such rights, enterprise business accounting is idle talk and enterprise rights to operate and manage are a castle in the air.

In a word, if we want to run collective industries in cities and towns successfully, we must respect the character of enterprises as enterprises owned by the collective and restore various aspects of enterprise rights to act on their own.

III

The unified collection of income and defrayal of expenses and state assumption of responsibility for profits and losses--such is the method of state management of enterprises owned by the whole people. This way of managing state-operated enterprises has already shown its many disadvantages, and the system must be restructured. For many years the competent organs in various localities have used this method to manage industrial enterprises in cities and towns. In the same way, income is turned over to the higher authorities, all expenses are defrayed by higher authorities and profits and losses of all enterprises are calculated under centralized plans. The collective industries in cities and towns are segments of the collective economy. To use this method of management is even more detrimental to displaying the merit of collective economy and bringing the initiative and enthusiasm of enterprises and their workers into play.

The unified collection of income and defrayal of expenses involves enterprise rights of transformation, financial management and income distribution. At the present moment, we are promoting a little competition among socialist enterprises under the guidance of state plans. To insure that their products meet market needs and their ability to complete is increased, collective industrial enterprises must regularly change the variety, standard and color of their products and keep carrying out technical transformation and raising their labor productivity. To this end, enterprises need to build some reserve funds for regeneration and transformation purposes. However, owing to the unified collection of income and defrayal of expenses the collective industrial enterprises in cities and towns lack

reserve financial resources except for a small amount of fixed asset depreciation funds. Besides, the rate of depreciation of fixed assets is too low and the cycle of equipment regeneration is too long, generally reaching 17 years. This provision is too incompatible with the requirements of the four modernizations. With regard to collective industrial enterprises in cities and towns, we suggest that their right of possession and their right of control should be respected, that the method of unified collection of income and defrayal of expenses should not be applied to these collective enterprises and that profits should be left to the enterprises concerned. At the same time, depreciation of fixed assets should be accelerated.

Beginning this year, Shanghai is trying to change the method of unified collection of income and defrayal of expenses and to leave 20 percent (the average figure for various enterprises) of the net profits to the enterprises concerned. This is an improvement. But 80 percent of the profits are still turned over to competent organs, including 40 percent to companies, 32 percent to the handicraft bureau and 8 percent to the Ministry of Light Industry. Even the 20 percent profits left to the enterprises are regarded as "shop-window cakes for show and not for eating" because the enterprises concerned, having money but no rights or having money but no materials, do not know how to use them. Besides, the percentage of retained profits is not related to the wage income of workers.

The system under which the competent organs assume responsibility for enterprise profits and losses should also be restructured. This system has engendered the mentality of "eating from a big pot" among some collective industrial enterprises in cities and towns and is detrimental to strengthening business accounting and improving operation and management. In our opinion, as enterprises owned by the collective, the industrial enterprises in cities and towns should resolutely assume sole responsibility for their own profits or losses.

If the method of unified collection of income and defrayal of expenses is changed and the system of competent organs assuming responsibility for profits or losses is restructured, four questions will inevitably arise: 1) How to deal with the money-losing enterprises? 2) Where do the funds for establishing new collective enterprises come from? 3) Where do the allowances for local collective well-being service undertakings come from? 4) How to deal with those enterprises whose profits are more than needed? We wonder if these four questions can be settled this way: With regard to money-losing enterprises, we should ascertain the cause of losses and deal with them according to the circumstances of each case. With regard to collective industrial enterprises whose existence is essential, the bank may grant them an appropriate amount of loans according to their actual needs before they incur losses, or else, the competent organs may give them an appropriate subsidy out of the existing accumulations. Concerning the establishment of new collective enterprises, the method of making loan investments in old enterprises may be adopted, and repayment

of principal and payment of interest should be made after the new enterprises are built and put into operation. Allowances for local collective well-being service undertakings should be provided by local finance because originally the profits of collective industrial enterprises should never have been diverted to other purposes. As to those enterprises whose profits are more than are needed, the question may be settled by readjusting the rate of taxation, increasing the proportion of profits to be turned over to the higher authorities for collective undertakings funds, readjusting the prices of products and arousing the enterprises to invest in new collective enterprises and get interest payment.

IV

Distribution according to work is the objective law governing distribution of consumer goods among individuals in socialist society. Both the economic organizations owned by the whole people and those owned by the collective must act according to this law. Concerning the collective industrial enterprises in cities and towns, there are still many irrational provisions which hinder implementation of the principle of distribution according to work.

To begin with, control over wages, bonuses and welfare benefits is very tight. Moreover, the connection is completely severed between worker income and the results of enterprise operation. On the one hand, collective industrial enterprises in cities and towns and state-operated enterprises are placed basically on the same footing. On the other hand, it is stipulated that the wages, bonuses and welfare benefits for the workers of collective industrial enterprises must be lower than those for the enterprises owned by the whole people; moreover, those for the "small collective" enterprises must be lower than those for the "big collective" ones. These provisions produce very bad effects on the collective industrial enterprises in cities and towns: 1) The social position of collective industries is lowered, and some people look down upon collective industries and do not want to work in them. 2) The principle of distribution according to work is violated; this circumstance is detrimental to rousing the socialist enthusiasm of the workers in collective industrial enterprises in cities and towns. 3) With wages, bonuses and welfare benefits forced down by artificial means, some workers experience difficulties in livelihood and do not keep their minds on their work in collective industrial enterprises. In our opinion, this state of affairs must no longer go on and the irrational provisions must be done away with.

Considering the character of ownership, the local governments should never have set the standard of distribution on behalf of the industrial enterprises owned by the collective in cities and towns. The collective enterprises should decide the income level of their workers according to the state of their operations in the same way as the basic accounting units of rural people's communes. However, in consideration of the distinction between industrial production and agricultural production, industrial production being comparatively steady and more profitable, we admit that without making a basic provision for the wages, bonuses and welfare benefits it is likely that worker income will show a preponderant difference

between various enterprises. For this reason, we think that reference standards of wages, bonuses and welfare benefits should be worked out in light of the concrete conditions of various localities and with reference to industrial enterprises owned by the whole people and that the enterprises concerned should then work out their own wage, bonus and welfare standards in light of their operational state and with reference to the reference standards.

We advocate canceling the irrational rule that the collective must be lower than the whole people and the "small collective" must be lower than the "large collective." The income of the workers in collective industries in cities and towns should be closely related to the operational state of various enterprises and the practice of handing out basic wages plus a percentage of profits retained should be put into effect. Wages for the workers in well-operated enterprises should be a little higher and may be higher than those for the workers in state-operated enterprises. Some localities have enforced this wage system with good results.

There is also the question of processing price, that is, processing fees. Among the industrial enterprises in cities and towns, a considerable part or the greater part of "small collective" enterprises process spare parts and assemble products for large state-operated industrial enterprises. This involves a question of processing fees. The widespread phenomenon is that the processing wages are too low. Judging from Shanghai's neighborhood production groups, in 1977 the groups getting less than 60 yuan processing fees per capita a month accounted for 44.3 percent of the total number of production groups and 38 percent of the total number of workers; those getting 60 to 80 yuan processing fees per capita a month accounted for 28.4 percent of the total number of production groups and 29.6 percent of the total number of workers. Added up, these items reached 72.7 and 67.6 percent respectively. In other words, nearly 70 percent of the workers in Shanghai's production groups get less than 80 yuan processing fees each per month. A small number of workers get about 40 yuan each a month.

Processing fees ought to include three parts: 1) Depreciation of fixed assets owned by collective enterprises and water, electricity and tool costs. 2) Worker wages. 3) Reasonable profits. But the present standard of processing fees includes only the first two parts and, in some cases, the processing fees are not enough to hand out wages. If the national average wages are taken as the standard, the processing fees earned by about half of the workers are only enough to hand out wages. Yet, the workers of collective enterprises depend on such low processing fees not only to make up the consumption of fixed assets and other costs but also to hand out wages, draw profits and pay taxes. This is the main reason the income of the workers in collective industrial enterprises (mainly the so-called "small collective" enterprises) is so low.

The negative effect of keeping the processing fees low is many-sided:

- 1) The law of value is violated and the labor of collective workers is infringed upon. The processing fees being too low, a considerable part of the value created by collective enterprise workers is transferred to large industrial enterprises. While the large industrial enterprises will eventually turn over the vast part of this value to the state, they get credit for achievement and enjoy more bonus and welfare benefits.
- 2) Large industrial enterprises are hindered from strengthening their business accounting and improving their operation and management.
- 3) It is unfavorable to implementation of the principle of distribution according to work. The wages, bonuses and welfare benefits for workers of "small collective" enterprises are too low. Actually, this state of affairs is incompatible with the principle of distribution according to work.
- 4) Low processing fees and little accumulations are unfavorable to the development of collective industries in cities and towns.
- 5) It is unfavorable to social stability and solidarity.

There is a historical reason that processing fees are too low. At the early stage of neighborhood industry, the workers consisted mainly of housewives who did not depend on their income from production groups as main support for their livelihood. Things have changed. The greater part of the workers in neighborhood industry are young people who depend on wages handed out by the enterprises for their livelihood. This being so, it would be more unjustified to keep the income of neighborhood industry too low. If we want to increase the income for this part of workers, we must solve the problem of processing fees which are too low.

In our opinion, a nationwide standard should be worked out for calculating the processing fees. For the wage part, the national average wages or the local average wages should be taken as the criterion for calculation. The rate of profits may be calculated with reference to the roughly average rate of profits of the branch or trade concerned. Consumption of equipment and materials is more or less fixed and can be dealt with easily. Such calculation standards are comparatively reasonable and will certainly be favorable to the development of collective industries in cities and towns and to the rectification and improvement of large industrial enterprises.

V

The relations between the state and the collective industries in cities and towns are an exceptionally important question. Industrial enterprises owned by the collective should accept the guidance of the state, and the state should support the collective industries in cities and towns in their development. But for more than 10 years the competent departments in various localities have taken collective industries as local state-operated industries and taken their accumulations as local treasury while some leading organs have regarded collective industries as "small producers" and discriminated against them politically and economically. As things stand at the moment, in the relations between the state and the collective industries in cities and towns there exist the following problems calling for urgent solution:

First, it is necessary to restructure the tax system and eliminate egalitarianism and indiscriminate transfer of resources. For many years local competent organs have taken the collective industries in cities and towns as local state-operated industries and arbitrarily collected and used the funds accumulated by collective industries. Although the greater part of these accumulations have been used for developing collective industries, a part has been indiscriminately transferred and diverted to other purposes. For example, in some localities it is expressly stipulated that 10 percent of the profits turned over to the higher authorities should be used for urban construction, mainly for building living quarters for the inhabitants and 20 percent as financial subsidies to various districts. In some localities, one-fourth of the profits turned over to the higher authorities is used for building water conservancy projects in the rural areas, subsidizing the construction industry, developing rural commune-run industries and aiding county-operated industries. In some localities, the profits turned over to the higher authorities are lent to state-operated enterprises without compensation. In some localities, purchase of TV sets and books and construction of movie theaters for neighborhood organizations, repair of scenic spots and historical sites, and even pensions for victims of traffic accidents are paid out of the funds accumulated by collective industries. This indiscriminate transfer and use of funds encroach upon the interests of the collective. This should be done away with as quickly as possible.

True, it is necessary to replenish a part of the urban construction cost locally, but this fund should be obtained from other sources. We suggest that the amount of tax paid by the collective industries in cities and towns may be divided by the center and localities on a percentage basis, or else, a unified local construction tax may be collected from the industrial and commercial enterprises (including the collective and the state-operated) in the localities concerned. Anyway, the profits turned over to the higher authorities by the collective industries must not be arbitrarily diverted to other purposes.

Concerning the tax system, the present practice of collecting tax from the industrial enterprises in cities and towns at the same rate irrespective of whether they are production and marketing enterprises or processing enterprises is also not rational. In fact, there is a great difference between these two types of enterprises. In general, the enterprises producing and marketing products make reasonable profits whereas, as mentioned above, those enterprises exclusively processing materials for large industrial enterprises have a meager income and build a small amount of funds with difficulty by forcing down worker wages. It is suggested that the financial departments in various localities should conduct a general survey of the processing enterprises among the collective industrial enterprises and that a worker, whose average monthly income of processing fees after deducting consumption of equipment and materials is below the local average wage, should be exempt from income tax. Concerning the income that is above the average wages, different tax rates may be worked out in light of the concrete conditions. The uniform tax rate should be changed.

To conform with the restructuring of the economic system of collective industries in cities and towns, it is also necessary to readjust the present system of 8-grade progressive taxation. First, the starting point of taxation in the present tax system is too low. A 7-percent income tax is levied even in income less than 300 yuan including profits. Second, a 55-percent income tax is levied on profits exceeding 80,000 yuan. This is also unreasonable. We suggest that the starting point in the new tax system be elevated to encourage those enterprises whose profits are small to develop production and that different tax rates be fixed according to the amount of profits in respect to those enterprises whose profits exceed 500,000 yuan, 1 million yuan, 2 million yuan... and whose tax rates may be higher than 55 percent. This will facilitate development of collective industries in cities and towns without cutting down the state revenue and may even increase it.

Second, the state should support the collective industries in cities and towns in terms of manpower and financial and material resources. At the moment, some leading organs still regard the collective industries in cities and towns as early stage handicraft cooperatives and even as "small producers." Consequently, they continue to use some rules that were applicable to early stage handicraft cooperatives. For instance, the state may make investments in collective industries or assign technicians to collective industries. Under these rules, it is difficult to supply collective industries with materials. As a matter of fact, many local industrial enterprises have strong production capability and, provided the state gives them a little support, they will be able to undertake production of important products. For this reason, if really necessary the departments concerned should be permitted to make the necessary investments in enterprises. This will facilitate national construction and give support to collective industries.

Collective industries in cities and towns are seriously short of technicians. In the Shanghai handicraft bureau system which includes enterprises owned by the whole people, scientific and technical personnel account for only 1.04 percent of the total number of workers. The whole system of Shandong's second light industry has 1,500 technicians or 0.35 percent of the total number of workers. In some districts and municipalities, the percentage of technicians is less than 0.2 percent of the total number of workers. Quite a few enterprises have not a single technician. Collective industries have a pressing demand that the state gradually assign some technicians to strengthen their scientific and technical force so that collective industries can keep pace with the progress of the four modernizations.

Supply of materials is an important problem facing the collective industries in cities and towns. It is necessary for the state departments concerned to solve it enthusiastically. Judging from the conditions in various localities, supply of materials for approximately one-third of the products produced by the collective industries in cities and towns is not brought into line with plans. In the case of the second light industry, supply

of materials for less than one-third of the products in terms of production value is brought into line with plans while supply of materials for more than half of the products is not brought into line with state plans. Basically, the enterprises producing these products look for materials themselves. In the case of products brought into line with plans at the provincial, municipal and autonomous regional levels, supply of materials is comparatively satisfactory but the targets leave some gaps because some varieties and standards are not suited to needs. Of the numerous manufactured goods for daily use, a part is brought into line with prefectural, municipal and county plans but, in most cases, targets are set but no materials are provided. In some districts, materials allocated to the second light industry according to plan are arbitrarily diverted to other purposes and little is left for enterprises. Some localities have reported: "Materials are cut piecemeal at the higher level and used for production of key products at the lower level, leaving very little for production of small commodities." Collective industrial enterprises have to look for materials for production of more than half of their products. Purchasing agents are sent everywhere and most of the materials are bought at high price or at a special cost. This circumstance hinders improvement of operation and management. Often this is the important reason that some enterprises producing small commodities make no profit or even lose money.

Third, it is necessary to elevate the social position of collective industries in cities and towns. Both the ownership by the whole people and the ownership by the collective are socialist public ownership. Both state-operated industries and collective industries in cities and towns are segments of the socialist economy. They should not be divided into the eminent and the humble. Because of improper policy, the leading organs in various localities have made many irrational rules concerning political and economic treatment to the workers of collective industries.

Politically, it is ruled that cadres of state-operated enterprises are allowed to hear reports and read documents while cadres of collective industries including leading ones of the county bureau of the second light industry (or handicraft bureau) are not allowed to hear reports or read documents. Cadres of collective industries are not allowed to change position with cadres of state-operated enterprises and even state cadres transferred to collective enterprises are not allowed to continue to enjoy the political treatment due to state cadres. In some cases, the workers of collective industries are not recognized as part of the working class.

Economically, irrational rules are made concerning wages and labor protection measures for the workers of collective industries. Their wage levels are generally lower than those of the workers of the same trade and the same line in state-operated enterprises. The wages for the workers of "large collective" enterprises are half a grade or one grade lower. Those of the "small collective" enterprises are even much lower. The solution to that question of labor protection is in the process of gradual settlement but in a few areas the system of labor protection and retirement has not been put into effect. As far as high-temperature allowances, grain ration

standards and supply of nonstaple foods are concerned, there is also some difference between state-operated enterprises and collective ones. Existence of these problems is detrimental to rousing the enthusiasm of workers. They should be solved as quickly as possible.

Fourth, it is necessary for the state to formulate policies and decrees to safeguard the collective industries in cities and towns. The history of collective industries in cities and towns has proven the necessity of formulating policies and decrees concerning the collective industries to replace the local policies now being implemented in various localities. This will provide the competent departments with rules to follow and decrees to observe. Only thus can the just interests and rights of the collective industries in cities and towns be safeguarded.

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NATIONAL ECONOMIC POLICY

HISTORICAL JOURNAL DISCUSSES CAPITAL GOODS PRODUCTION

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[Article by Meng Lian [1322 6647]: "It Is Impermissible To One-sidedly Take 'Priority Increase in the Production of Capital Goods' as the Starting Point in Economic Planning"]

[Text] National economic planning is the tool which we use to embody the various socialist economic laws. Naturally, it also has to embody the law of "priority increase in the production of capital goods." However, with the exception of the laws of contradictions and movement which are absolute and unconditional, all laws in the world are relative and play a part under certain specific conditions. Economic laws are also like this. In the course of planning the national economy, if we overlook the conditions of these laws and do not first study the characteristics of the actual conditions and the different roles which these laws play under different conditions, our plans will very easily depart from reality and may cause disproportions in the national economy.

How did the law of "priority increase in the production of capital goods" emerge? Under what conditions did it emerge? Marx did not elaborate on this question in the course of analyzing the conditions of social capital reproduction. Lenin made a study of this in the article "On the So-called Market Question." He pointed out that what Marx had not considered in his formula of social capital reproduction was precisely the factor of technical progress. If we put technical progress and the accompanying changes in the increase in capital organic composition into the formula, the production of capital goods will increase faster than the production of consumer goods. Lenin expounded and proved through calculation that "in a capitalist society, the production of the means of production increases faster than the production of the means of consumption." (Lenin: Collected Works, "On the So-called Market Question," Vol 1, p 72) He explained: "This conclusion follows directly from the generally known proposition that capitalist production attains an immeasurably higher technical level than production in previous times." (Ibid.)

It can be seen that the priority increase in the production of capital goods is only a result. This result has been caused by technical progress and an increase in the organic composition of capital. Therefore, if we want to embody this principle in economic planning, we must first pay attention

to this relationship of cause and effect. Whether or not priority can be given to the increase in the production of capital goods is mainly determined by whether or not there is technical progress and whether or not the organic composition of production can be increased. The rate of priority increase in the production of capital goods is also mainly determined by the rate of technical progress and the rate of increase in the organic composition of production. No result will be produced if we depart from the essential prerequisite. If cause and effect are reversed and priority increase in the production of capital goods is one-sidedly taken as the starting point for the planning of the national economy, a disproportion would very probably result, because this principle originally takes technical progress, improvement in organic composition and economy of human labor as its prerequisite. If we artificially accelerate the rate of increase of the production of capital goods under conditions where there is actually no such prerequisite or this prerequisite is not fully met, excessive manpower will be transferred from the department of the production of consumer goods to the department of the production of capital goods and the increase in manpower in the department of the production of capital goods will exceed the limit which can be shouldered by the production of consumer goods. This will cause a tension in consumer goods, upset the objective proportion between accumulation and consumption in material composition and will also bring along with it an imbalance in a series of proportional relationships.

Viewed from the actual conditions, the technical progress in our country is relatively slow. For example, we started at the same time as certain foreign countries in the research of quite a number of important new techniques and new technologies. However, in the long run we had to buy these techniques and equipment from these countries. Certainly, the slow rate in technological development has been caused by many other conditions (for example, the intervention of political factors and shortcomings in the economic system and so on). However, this fact itself has predetermined that the rate of increase of our production of capital goods cannot be very fast, because objectively, the proportion in organic composition has not undergone considerable changes. If we entirely ignore the rate determined by objective conditions and want to artificially accelerate it, we will make the mistake of pulling up the seedling in the hope of making it grow faster and making waste through haste.

Then, does it mean that once we have grasped advanced technology, we can feel safe and be bold and give priority to a great increase in the production of capital goods? No, it still has to be restricted by other conditions. In the history of mankind, technical progress is not always embodied in the most harmonious and perfect form. Just like other natural forces, it may bring people tremendous benefits under certain conditions, but serious harm under other conditions. For example, in capitalist society, technical progress and the priority increase in the production of capital goods cause the unemployment of a large number of workers under certain conditions. This is the result of the so-called relative surplus in population which has become a serious social problem. Ours is a socialist country and we cannot act like capitalists. Therefore, in the course of

making use of planning in national economy to embody the law of technical progress and priority increase in the production of capital goods, we must first study the various conditions which play a restrictive role, study the objective requirements of this law under the stipulated conditions and study the interrelations between this law and other laws so that our plans can embody the general trend of economic development. This includes technical progress and the priority increase in the production of capital goods. At the same time we must not depart from (at least not seriously depart from) the various actual conditions curbing this trend which we face at present.

Take the conditions in our country for example, the population is the largest in the world. Moreover, the rate of natural growth is relatively high. There is comparatively little arable land and low grain output. The material foundation of the entire national economy is weak. This is the first and most obvious fact in the economic life in our country. What this obvious fact reflects is precisely the most fundamental disproportion in the national economy in our country. To properly adjust this proportion, the basic method is certainly to adopt effective economic measures and control population growth. However, this disproportion has existed for a long time and it takes at least 20 to 30 years to properly adjust it. Just take the proportion between population and grain, for example. There was an average intake of 635 jin of grain per capita in our country in 1978. In 1976, there was an average grain intake of 2,770 jin per capita in the United States, 1,880 jin in the Soviet Union, 1,948 jin in Romania and 1,807 jin in Poland. In 1977, the average grain intake per capita in Yugoslavia was 1,600 jin. It can be seen that the level in our country is very low. As seen from the conditions of development in our country from 1953 to 1977, the grain output showed an average increase of 2.2 percent and the average rate of natural population growth was 20 percent. Although the grain output in 1978 showed an increase of 7.2 percent over that of 1977, there was a decrease in output of 7.1 billion jin in 1977 as compared with the output in 1976. If an average was taken of the amount in the 2 years of 1977 and 1978, the annual rate of increase was only 3.2 percent, which was the same as the average rate of increase in the "5 April" Period. In 1978, the rate of natural population growth was 12 percent. If we start with the present level and the rate of development of more than 20 years ago, how long does it take to properly adjust the most basic proportion between population and grain? If the average rate of natural population growth per year in the next 22 years can be reduced to 5 percent and the grain output increased by 3.5 percent per year on the average, the average grain intake per capita in our country can only reach 1,200 jin strong by the year 2000. If the grain output can be increased by 4.5 percent on the average and doubles that in the past 25 years, the average grain intake per capita can only reach 1,500 jin in the year 2000. If the annual rate of the natural population growth is reduced to zero, it will take 33 years with an average annual increase of 3.5 percent in grain output to attain the target of an average of 2,000 jin of grain intake per capita. It will take 26 years to attain the target even if the grain output is increased by 4.5 percent per year. It can be seen that it

is not easy to adjust the most fundamental proportion in our national economy--the proportion between population and grain output--to make it more compatible and attain an above-average world level. As long as this disproportion still exists and plays a role, we are forced to look at reality without bias, and study its effects of limiting and restricting the proportion and rate in our economy and our entire economic planning. This is to say that when we put our hands to adjusting this basic proportion to reveal the general trend of our economy in a better form in the foreseeable future, we have to face this actual condition which is far from perfect and talk realistically.

Where are the restrictive effects of a large population, scarcity of land, low grain output and weak material foundation manifested in our economy? First, since there is a large population and a high rate of natural growth which cannot be much reduced for a time, there cannot be a very great portion for accumulation out of the restricted national income. In accumulation, a considerable proportion is required for nonproductive capital construction. In productive capital construction, a considerable portion is required for use in the department of production of consumer goods. These are required by the objective laws in the development process of the social economy and they also embody the basic goals of our socialist production. If we cannot raise the consumption level of the masses of people at the essential speed year by year, we shall inevitably dampen the enthusiasm of the masses and may even cause social instability. If we keep the rate of improvement of the people's consumption level far below that of the people in capitalist countries over a fairly long period, we cannot reveal the superiority of socialism and may weaken the persuasiveness of ideological and political work. These conditions have emerged for some years in the past because of the intervention of Lin Biao and the "gang of four" and the shortcomings and errors in our work. We must now use at least 3 years to make important readjustments in the national economy. It can be seen that the rate of increase of capital goods cannot but be restricted and limited by the requirements of the people's present consumption and the increase in consumption. It is very dangerous for us to disregard this restriction and one-sidedly emphasize the priority increase in the production of capital goods. This will not only lead to the present great accumulation and suppression of people's consumption, but also gradually aggravates the disproportion between agriculture, heavy and light industries, make the heavy industries even heavier, and further alienate the development of agriculture, heavy and light industries from the population growth and the demands for raising the consumption level of the people. As a result, it will sabotage the objective proportional relations in the entire national economy. Second, since the basic figure of the population in our country is large and the rate of natural growth is high, the problem of employment will inevitably stand out. It will inevitably come into conflict with the trend of technical progress, increase in organic composition and the priority in the production of capital goods. Where the amount of accumulation is fixed and the level of accumulation is relatively low, we have to put more investments into the departments such as light industry, textile industry

and handicraft industry which have a relatively small employment coefficient (such as the amount of investment required for absorbing the employment of each unit of labor force) to make full arrangements for the employment of the new rising labor force. Investment in the departments of heavy industries can only be made under the prerequisite where relatively full arrangements have been made for the employment of the labor force. Otherwise, this will also lead to serious social problems. Third, the accumulation of more capital is required for developing the economy in our country, and the departments of light industry, textile industry and handicraft industry are precisely the departments which require a small amount of investment and a short period of construction on the one hand and have a fast rate of accumulation on the other hand. Under the present conditions where the sum for capital investment every year cannot be very high, we must pay meticulous attention to the different results brought about by different investment allocations and invest more in the departments of light industry, textile industry and handicraft industry. This unavoidably brings certain restrictions on the investment in the department of heavy industries. In sum, the "priority" in "priority increase in the production of capital goods" must be put under considerable restrictions and limitations under the present conditions in our country. In particular, under the conditions of the relatively serious disproportion caused by our negligence of these objective conditions for a long time, we should pay particular attention to the increase in the production of consumer goods from now on. This will help the entire national economy increase reproduction.

It is not impossible to more properly resolve the several contradictions mentioned above between restrictions and limitations and the general trend of economic development. In view of the present investment arrangements, to attain a better development in heavy industry even under the conditions of limited investment, we must properly study how to improve the results in investment in this part, in addition to adopting effective economic measures to fundamentally adjust the proportion between the population and economic conditions in our country. The present key link lies in the use of more of the limited investment in the capital construction in heavy industry to tap reserves, innovate and transform the old enterprises. This can, on the one hand, maintain the essential growth in production in heavy industries, and on the other hand build this growth on the foundation of constant technical progress, reduced consumption, reduced production costs and quality improvement. The latter aspect is of even greater significance in view of the general trends of development in the economy of our country. Meanwhile, in the planning of new projects, attention should be paid to the goods which are in short supply and urgent demand, such as fuel, power and transport services and to solving the problem of imbalance in this aspect.

The contradictions between the long-term requirements of economic development, its general trend and the actual conditions in our country are very complicated and it is necessary to comprehensively study the measures to resolve them. We cannot shy away from the actual, objectively existing condition but have to confront it, respect it, admit its restrictions and limitations to our lofty and high aims, gradually create conditions and

seek a fundamental solution. The "lofty aspirations and high aims" of anyone can only be realized in a situation which conforms to the actual conditions. This is in part similar to the condition when the Red Army faced the strong enemies in the revolutionary war years. At that time, Chairman Mao pointed out: "The spirit of 'wiping out the enemy before breakfast' is good, but the specific plans of 'wiping out the enemy before breakfast' are not good." (Mao Zedong: Selected Works, "The Strategic Problems of the Revolutionary Wars in China," Vol 1, p 217) Chairman Mao did not simply put forth a certain law or several laws on revolutionary wars in general as the starting point, but set up an entire set of strategic theories of the revolutionary wars in China on the foundation of the basic condition where "the enemies are strong and we are weak." The victory in the revolutionary war in our country was precisely scored by acting in accordance with this law which was drawn up from the realities of the revolutionary wars in our country. It can be seen how important the actual conditions are! We carry out modernized construction today. If we want to embody the requirements of objective economic laws in the plans of our national economy in a better way, we cannot subjectively or onesidedly take one or several general laws in economic construction as the starting point of planning, but should formulate our plans upon the concrete analysis and scientific synthesis of the actual objective conditions in our country. General laws can only be correctly manifested through integration with the actual conditions on this basis. In sum, "starting from reality in everything" and "seeking truth from facts" are still the most important basic principles which we must follow.

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NATIONAL ECONOMIC POLICY

'JINGJI YANJIU' DISCUSSES SOCIALIST MODERNIZATION

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[Article by Xu Dixin [0864 3719 0292]: "Several Questions Concerning China's Socialist Modernization"]

I

[Text] Since the overthrow of the "gang of four," the party Central Committee under the leadership of Comrade Hua Guofeng has been leading the people of the whole nation to accomplish the modernization of agriculture, industry, national defense and science and technology within the final two decades of this century. After the accomplishment of the four modernizations, our socialist relations of production and proletarian dictatorship will have a firmer and stronger material foundation. The steady improvement of our people's level of material and cultural life will be steadily improved. Therefore, the realization of the four modernizations is in full accord with the basic interests of the nation and the people.

Comrades Mao Zedong and Zhou Enlai not only devoted themselves to reform of the semifeudal and semicolonial relations of production, but also put great emphasis on the development of our social productive forces. Immediately after liberation, the Chinese people under the leadership of the party carried out the First 5-Year Plan for the development of the national economy after the recovery of the then much broken down national economy. Over 100 important construction projects were completed and tremendous results achieved. Before liberation, the highest national annual output of steel was just 900,000 tons. But by the end of the First 5-Year Plan, the national output of steel exceeded 5 million tons. This is enough to show that after the replacement of the old relations of production by the new ones, the productive forces can be speedily developed if we are careful with our work. In the Third NPC, Comrade Zhou Enlai proposed on behalf of Comrade Mao Zedong the historic task of the realization of the four modernizations. In the Fourth NPC, Comrade Zhou Enlai once again reiterated that grand historic task to all the representatives and the people of the whole nation. He charged us to establish a stable and strong economic foundation for our socialist system and proletarian dictatorship. However, under the disruption and sabotage

of the vicious "gang of four," the socialist construction blueprint for our country's four modernizations were unable to be carried out. Only after the overthrow of the "gang of four" was it possible for the Chinese people to continue the work of Comrades Mao Zedong and Zhou Enlai under the guidance of the party Central Committee headed by Comrade Hua Guofeng.

The Chinese Communist Party aimed primarily at replacing the landlord and compradore relations of production by socialist ones. The purpose of this was to develop our social productive forces. It has been proven by practice that the replacement of old relations of production by the new does not mean the solution of problems relating to the development of productive forces. The reason is that, although relations of production are closely related to productivity, there are distinct differences between them. Stalin said: "While the state of the productive forces answers the question--with what instruments of production do men produce the material values they need?--the state of the relations of production answers another question--who owns the means of production (the land, forests, waters, mineral resources, raw materials, instruments of production, production premises, means of transportation and communication, and so forth), who commands the means of production, the whole of society, or individual persons, groups or classes which utilize them for the exploitation of other persons, groups or classes?" (Stalin: "Problems of Leninism, Dialectical and Historical Materialism," p 649) Thus it can be seen that the development of productive forces aims at solving the contradiction between man and nature, whereas changes of relations of production aim at solving the questions of control and possession of means of production. Since the states of productive forces and relations of production are different, the means to solve their respective contradictions should also be different. The two kinds of means should not be confused with each other. We should not use the form of struggles for solving relations of production to handle the development of productive forces. We should not come to the conclusion that once the old relations of production are replaced by the new, the social productive forces will develop by themselves. One of the special features of the ultraleftist line of Lin Biao and the "gang of four" was to replace man's struggle with nature by the form of struggles for changing relations of production. That is to say, they used the struggles for changing the relations of production to replace and deny the development of productive forces. This is idealism through and through and completely goes against historical materialism.

Historical materialism tells us that the productive forces are the most active and revolutionary factors in the process of production. Productive forces are always pushing forward social systems. In his "Principles of Communism," Engels said: "Any change in the social system, and any change of the relations of ownership are the inevitable consequences of the development of the new productive force which is incompatible with the old relations of ownership." (Engels: "Selected Works of Marx and Engels, "Principles of Communism," Vol 1, p 218) Judging from the long process

of the development of human history, it is undeniable that productive forces are developing continuously. When a given relation of production is no longer compatible with the development of new productive forces, it becomes obsolete and an obstacle to social development. However, under given historical conditions, is it possible for the productive forces to be superseded by the relations of production? I think this possibility should not be neglected. Before liberation, our country was semifeudal and semicolonial. Our productive forces were extremely backward and the economic foundation was very shallow. After the establishment of socialist ownership by the whole people and collective ownership, our social productive forces exhibited remarkable development. However, since the economic foundation left behind by the old society was so shallow, the level of development of our productive forces was unavoidably restricted. It was impossible for the productive forces to develop rapidly within a short period of time and become the powerful and strong material foundation for advanced socialist relations of production. If we compare our socialist relations of production with capitalist relations of production, our relations of production are, of course, more advanced. This is because socialism has negated the contradictions between the social nature of production and capitalist private ownership, the exploitation of the laboring masses by capitalists and the anarchism of production of the whole society. However, if we compare the level of development of our productive forces with those of capitalism, ours are very backward. There is a very great distance between our level of science and technology and their level. As materialists, we must face this contradiction. It is precisely because of this unavoidable contradiction that we have to work with a will to make the country strong and try to realize the modernization of agriculture, industry, national defense and science and technology within this century. We must overcome our backwardness in science and technology and in social productive forces, so that our social productive forces can develop rapidly under the condition of our advanced socialist relation of production.

Some comrades were worried that the proposition of a "contradiction between the advanced socialist system and backward productive forces" would easily be misunderstood as proposing that our relations of production had superseded our productive forces by jumping the stage of development. These comrades were afraid that people would even feel that our relations of production could undergo constant changes without regard to the state of development of productive forces. Nevertheless, this kind of situation did exist in reality. There was the viewpoint and practice which overlooked the level of development of the productive forces and constantly changed the relations of production at will. This attitude has in fact divorced the productive forces from the relations of production. Does this conform to Marxism? In his "Preface to 'A Critique of Political Economy,'" Marx said: "No social order ever disappears before all the productive forces for which there is room, have been developed; new higher relations of production never appear before the material conditions for their existence have matured in the womb of the old society." (Marx: Selected Works of Marx and Engels, "Preface to 'A Critique of Political Economy,'" Vol 2, p 88) This passage refers to the change of social forms from the old to the new.

However, it still has important practical significance to the transitions from the small collective to the large collective and from collective ownership to ownership by the whole people within the socialist system. Is it not uncommon that there were constantly changing relations of production without due consideration to the productive forces in actual life? In some areas, while the production teams were working in accordance with the development of the productive forces and while the production brigades were not yet mature enough to become basic accounting units, the "wishes of the commanding officers" were to force the production teams to initiate "transition while still poor." Is this not "spoiling things by excessive enthusiasm" to destroy the law of relations of production to conform to the development of productive forces?

Under given conditions, is the proposition that productive forces superceded by relations of production (such as the case with our socialist relations of production) contradicts the proposition stressed by Stalin that "productive force is the most active and revolutionary factor in the process of production?" I believe that the condition of productive forces superceded by (socialist) relations of production occurs only under given conditions; it does not occur throughout the whole history of human development. Furthermore, since the productive force is the most active and revolutionary factor in production, we can basically change the original backwardness of our productive forces within a short period of time if we resolutely speed up the development of production and actively make work to modernize agriculture, industry, national defense and science and technology.

The party Central Committee under the leadership of Comrade Hua Guofeng has called upon the people of the whole nation to shift the work forces to socialist modernized construction. It is clearly stated that our principal task for the present and a rather long period in the future is to develop socialist modernized construction systematically and schematically to realize the modernization of agriculture, industry, national defense and science and technology. This brilliant decision will not only enable us to overcome the problem of productive forces superceded by relations of production more quickly, but can also help us develop our productive forces rapidly. This will also manifest the superiority of our socialist relations of production in developing the productive forces.

II

The party Central Committee and the State Council have decided that from this year on we must concentrate our efforts on doing a good job of readjusting, restructuring, consolidating and improving the national economy within 3 years. In his report to the second session of the Fifth NPC, Comrade Hua Guofeng clearly pointed out that: "This is our first battle for realizing the four modernizations after we have shifted the focus of our work to socialist modernized construction."

In the eight characters principle of readjustment, restructuring, consolidation and improvement, readjustment is the key link. In the 2 years since the smashing of the "gang of four," the national economy which was sabotaged by them and brought to the brink of collapse has recovered and developed. The total output of food last year exceeded the highest level in history. There was extensive growth in industry in terms of output in steel, coal, crude oil, electricity generating power, chemical fertilizers, chemical fibers and also in the volume of railway transport. Following the development of industrial and agricultural production, there were also encouraging results in the extent of growth of the total of retail commodities, gross total of import and export trade and financial income in the past 2 years. The lives of the masses have been basically improved after the recovery and development of the national economy. This situation rarely existed in the past 10 years. Then, who do we still have to carry out readjustment? 1. The frenzied sabotage of the "gang of four" to our national economy not only brought our socialist industrial and agricultural production into a state of stagnation and degeneration, it also seriously dislocated the proportionate relations among various production departments. While production was still in a state of stagnation and degeneration, the problem of dislocation was not so apparent. However, when the recovery and development of the national economy achieves results, the problem of dislocation will become apparent. 2. After the overthrow of the "gang of four," the enthusiasm of the cadres and workers on the various fronts for socialist construction burst forth. Now the situation exists in which everyone is advancing side by side and vying with each other to complete socialist construction. Everyone is trying to gain back the lost time due to the sabotage of Lin Biao and the "gang of four" in the past 10 years. This, in turn, results in excesses. The principal characteristic of this situation is unrealistic enthusiasm. The unrealistic enthusiasm of certain cadres is extremely harmful to the planned development of socialist modernized construction and the proportionate and speedy development of socialist production. If we allow the unrealistic enthusiasm of certain cadres and the dislocation of proportion among various economic departments to continue, the schematic and planned socialist production and modernized construction of our country will be disrupted and we will not be able to advance in great strides. With such a situation, how can we afford not to take the work of readjustment seriously?

The present dislocation of proportion in the national economy is markedly manifested in the failure of the growth of agricultural production to meet the needs of industrial growth. Sometimes, agricultural production even fails to meet the demands of population growth. Even within agriculture itself, there is the one-sided emphasis on food with a total disregard for the overall development of forestry, pastoral farming, sidelines and fishery. Within industry, the products of light textile industries fall far behind market demands. Even in the areas of investment, electricity supply and so on, these light industries are falling far behind those of heavy industries. Within heavy industry, despite the fact that the

development of coal, petroleum, electricity and transportation are relatively rapid, they still fall short of the demand of national economic development and the development of iron and steel. There is also dislocation within various industrial departments. The process of excavation in coal mining is one example. The front of basic construction in the excavation of coal is overextended and there are too many projects advancing side by side. In addition, the material supply of basic construction falls far behind the demand for basic construction. This dislocation results in the failure of many projects to build up their production capabilities after a protracted period of time. In the distribution of national income, there is also the problem of an excess proportion of accumulated funds and an inadequate proportion of consumption funds. The dislocation of accumulation and consumption has seriously hampered the improvement of the people's livelihood and the enthusiasm of the masses of workers for socialist production. All these make it necessary for us to carry out readjustment seriously. We must concentrate our efforts on improving agriculture. We must also make great efforts to speed up the development of light and textile industries and the growth of coal, petroleum, electricity, transportation and construction material industries. Furthermore, with the precondition of developing production, we must increase consumption funds to steadily improve the livelihood of the people. Only thus can we bring forth planned and proportionate socialist production and construction.

On the other hand, the readjustment we are talking about involves establishment and abandonment as well as the advance and retreat of enterprises. Enterprises which have to be abandoned or cut back must be abandoned or cut back before those which must be established and promoted can come to the fore. We must admit the fundamental fact that the present "supply" of fuel, motive power and raw materials cannot meet the demands of the existing 350,000 industrial enterprises. Accordingly, we must realistically deal with a group of enterprises. This includes those high consumption "coal consuming tigers" and "electricity consuming tigers" which were established haphazardly; processing industries which duplicate production and produce goods in excess of market demand; enterprises having no sources of raw materials and competing with heavy industries for raw materials; enterprises producing unmarketable goods of inferior quality which constantly lose money and so forth. It is obvious that if we tolerate the continued existence of these enterprises, we would be fighting a war of attrition. In this case, "no one will have enough and no one will do a good job." How can we talk about speed?

Our readjustment is directed against the dislocation of national economic proportion caused by the protracted disruption and sabotage of Lin Biao and the "gang of four." We are conscientiously readjusting the proportionate relations and restricting the chaos caused by this kind of haphazard development. We aim at the relatively harmonious development of the various heavy and light agricultural departments and the maintenance of a rational proportion between accumulation and consumption. All these are in accord with the demands of the law for the planned and proportionate development of the national economy.

According to the directive of the party Central Committee, readjustment is the crux of our national economy. However, it is closely connected with the other three areas of restructuring, consolidation and improvement and they promote each other. The reform we are undertaking aims at improving the economic management system and management methods which are incompatible with the development of the productive forces. The consolidation we are undertaking aims at consolidating enterprises having irrational production and management orders. The improvement we are undertaking aims at the continuous improvement of the levels of production, technology and management of the various national economic departments. The four aspects of readjusting, restructuring, consolidation and improvement cannot be divorced from each other. They are a compact entity. The levels of our national economic development and science and technology will be greatly improved if we seriously carry through this eight characters principle. This will establish a stable material foundation for further large-scale socialist modernized construction. The principle of readjusting, restructuring, consolidating and improving is directed against the existing 350,000 industrial enterprises. We must regard the existing industrial and mining enterprises as our targets of consolidation and improvement so that the production facilities of these enterprises will play a greater role. However, attaching great importance to existing facilities does not exclude the introduction of new technology from abroad or even the introduction of foreign loans. That is to say, with the precondition of insisting on independence and self-reliance, we must try our best to learn all the good things from abroad to accelerate the four modernizations. We must selectively introduce urgently needed advanced technology and draw in foreign capital. Practice will convince us more and more that the planned introduction of advanced technology from abroad and the utilization of foreign capital will not come into contradiction with the principle of adjustment, restructuring, consolidation and improvement carried out in the previous 3 years. On the contrary, these two measures and the principle of adjustment, restructuring, consolidation and improvement have the important effects of promoting each other.

At the beginning of the 1960's, our country had also carried out the principle of readjustment, substantiation, consolidation and improvement. Like our present eight characters principle, the eight characters principle at that time also took readjustment as the crux. However, the conditions for proposing the two eight characters principles are different. In the early 1960's, the eight characters principle, which took readjustment as the crux, was directed against the actual situation at that time. During the Great Leap Forward in 1958, due to the prevalence of the "Communist Wind," "prolixity," "high indices" and "unrealistic command," the then developing socialist industrial and agricultural production were destroyed. The relatively harmonious proportional relations established among various national economic departments during the First 5-Year Plan was also disrupted. The situation grew worse due to the withdrawal of experts and the breach of contracts by the Soviet Union, and the occurrence of serious natural calamities. As a result, there were serious difficulties in our national economy during the latter part of the 1950's and the beginning of the 1960's.

In response to the difficult situation at that time, the party Central Committee resolutely adopted the eight characters principle of readjustment, substantiation, consolidation and improvement. The efforts of the whole party and the whole people had brought the speedy recovery and development of the national economy. The difficulties of 1959-1961 had been overcome. The average annual growth of industry from 1963-1965 was 17.9 percent whereas the average annual growth of agriculture was 11.1 percent. From 1965 onwards, our national economy experienced a period of prosperous growth and rapid advances. If there had not been 10 years of great destruction brought on by the "gang of four," (1966-1976), the level of development of our national economy would have been several times higher. The real situation has proved that under the condition of socialism, the dislocation of proportion among various national economic departments due to this or that reason can be readjusted through realistic planning within the socialist system itself. This can hardly be achieved in a capitalist society. In a capitalist society, due to the contradiction between the socialization of production and capitalists ownership of means of production and the anarchism of the whole capitalist production, there can be no planned readjustment in the whole social production despite scientific management and the internal planning of individual enterprises and individual monopolistic capitalist groups. Neither can there be any conscious overall readjustment in a capitalist society. Thus, the attack of cyclical economic crises are unavoidable. This is a very good illustration of the superiority of the socialist system.

III

Will there be difficulties for our country to achieve the modernization of agriculture, industry, national defense and science and technology within the final two decades of this century? Will there be difficulties for us to fulfill the principle of readjustment, restructuring, consolidation and improvement within the present 3 years? As materialists, we must have an adequate appraisal and understanding of the difficulties on the road of our new long march.

In a nutshell, the difficulties in realizing our four modernizations are a large population and a shallow economic foundation. Man is producer as well as a consumer. Having a large population and a large labor force may be considered an asset under given conditions. However, a large population will become a heavy burden to the state if industrial and agricultural production cannot catch up with it and there is a great shortage of education facilities and job opportunities as well as shortages of clothing, food and housing. In addition, with the modernization of industrial and agricultural production and the improvement of the organic structure of enterprise technology, the demand for labor will gradually diminish. Does this mean that the rapid increase in population is contradictory to socialist modernized construction? At present, the population of our

country has exceeded 9 hundred million. If we do not conscientiously control such growth, the contradiction between population and the four modernizations will intensify. Our country is a socialist country. We want to achieve modernized construction schematically but we cannot allow the continual existence of a large reserve of unemployed for a prolonged period as in the case of a capitalist society. This problem is incisively before us.

When we talk about the shallowness of our economic foundation, we not only refer to the low level of industrial and agricultural development and the inadequate supply of social products, but we also refer to the low level of science and technology and the inadequate number of qualified scientific and technological personnel. During liberation, we took over a withered and scientifically degraded shambles from the Kuomintang reactionaries. In the 17 years immediately following liberation, due to the leadership of the Chinese Communist Party and the endeavors of the whole people, many new production departments were established. Many previously non-existent modernized enterprises were also developed. Many young scientific and technological personnel also emerged. This was really a great achievement. However, even such an achievement is not worthy of a country of 9 hundred million people. It is still backward when compared with the scientifically and technologically advanced countries. Of course, the distance between our level of science and technology and the world's scientifically and technologically developed countries has been shortened after 17 years of endeavor. However, the 10 years of extensive sabotage by Lin Biao, the "gang of four" and that "adviser" who committed all sorts of crimes, greatly widened the gap. Many scientists and technological personnel were labeled as "reactionary authorities" and cruelly persecuted. Many died and many had grown old. The younger generation gave up scientific and technological research for fear of being labeled as "taking the road of the white expert." To realize the four modernizations by the end of this century with such a shallow foundation is indeed a very difficult task.

It will not be easy for us to win the first battle of the four modernizations, that is, to fulfill the eight characters principle of readjustment, restructuring, consolidation and improvement. Such difficulties are not confined to the resettlement of cadres and workers of enterprises that must be abandoned, but also include opposition from certain comrades. Some comrades, especially leading cadres who have not been able to accept the changes, have an inadequate understanding of the necessity and importance of readjustment. Some comrades thought that our industrial development in the past 2 years was fast enough. They argued that a positive equilibrium had been regarded as the "gap" in planning for many years. They continued to argue that if we could keep the status quo and continue to go ahead there was no point in carrying out readjustment. Some comrades thought that readjustment meant "blowing the dismounting wind" so they tried their best to oppose it. Some comrades thought that their enterprises were established through hard work and that any enterprise could be closed, but not their own. Some comrades still insisted on the "theory of the key link" and were reluctant to face the serious dislocation of proportion and

were reluctant to shorten the basic construction front. In other words, these comrades were trying to use the "theory of the key link," "the theory of the main emphasis" and "concentrating on one thing" to deny the objective existence of a dislocation of proportion. The viewpoints and practice of these comrades are out of line with the demand of the party Central Committee's eight characters principle focusing on readjustment, and run counter to the party Central Committee's demand to win the first battle of the four modernizations. We must rapidly improve our understanding and resolutely rectify the erroneous practices so that we can keep up with the development of the situation.

To realize the socialist modernized construction of our country and to win the first battle of the four modernizations, it is extremely important for us to face the objective difficulties. We must face the difficulties so that we can overcome them instead of avoiding them. Do we have the necessary conditions to overcome these difficulties? Is this possible? The answer is yes.

First, the party Central Committee under the leadership of Comrade Hua Guofeng is continuing the work of Comrades Mao Zedong and Zhou Enlai and is resolutely realizing the modernized construction of socialism. The party Central Committee aims at building up a strong material foundation for the socialist relations of production and the government of the proletariat dictatorship. Judging from the dialectical relations between the relations of production and the productive forces, this line of the party Central Committee conforms to Marxism. It is also in accord with the demands of our present objective reality. We must steadily bring our national economy onto the road of persistent, proportionate and speedy development and win the first battle of the four modernizations. That is why our party Central Committee proposed the eight characters principle of readjustment, restructuring, consolidation and improvement. This is in conformity to Marxism and accord with the demands of our present objective reality. So long as we resolutely carry out the line and principle of the party, improve our research and investigation, grasp the economic laws, integrate the demands of the party Central Committee with objective reality and propose realistic and rational programs, the difficulties before us can be resolved one by one.

Second, carrying out socialist modernized construction demands a stable and unified political situation as its precondition. In the past 2 years, especially since the 3d Plenum of the 11th CCP Central Committee, the majority of unjust, false and wrong cases passed by Lin Biao, the "gang of four" and their followers have been redressed. Those innocent old party members and cadres who had braved untold dangers for the revolution and were labeled as traitors and spies by the "gang of four," have had their cases redressed. The party has conducted conscientious investigations into the factional setup of Lin Biao and the "gang of four" and this counterrevolutionary political force which ran rampant for 10 years and brought untold miseries to the Chinese people and it has generally been crushed. The counterrevolutionary line and fallacies put forward and spread by Lin Biao and the "gang of four" have been criticized rather

thoroughly in all aspects. This is an indispensable condition for the political stability and unity of our country. Furthermore, the class relations within the country have also been basically changed. Comrade Deng Xiaoping announced at last year's National Science Conference that the intellectuals were members of the working class and a part of the laboring people. This was followed by the announcement of Comrades Hua Guofeng and Deng Xiaoping in this year's NPC and CPPCC that "the classes of landlords and rich peasants have been abolished," and the "capitalists as a class have also disappeared." After 30 years of struggle and education, the majority of people in these classes who have been able to work have already been transformed into self-supporting laborers in the socialist society. These people who have been transformed have no basic conflict of interests with the workers and peasants. The construction and development of the socialist cause have become the common interests of these people. This is the great historic victory won by the Chinese people under the leadership of the great Chinese Communist Party. This victory has become the guarantee for political stability and unity in our country. Furthermore, socialist democracy and the socialist legal system have been greatly strengthened after the 3d Plenum of the 11th CCP Central Committee and especially after the 2d session of the 5th NPC. This is the political foundation for strengthening the socialist system of all laboring people under the leadership of the working class as well as for strengthening the stability and unity of our country to achieve socialist modernized construction. This is beneficial to arousing the enthusiasm and creativity of all the laboring people for modernized construction. With stability and unity as the political precondition, we can pool the efforts and wisdom of everyone to solve the obstacles to socialist modernized construction.

Third, we have 350,000 industrial enterprises. According to the principle of readjustment, restructuring, consolidation and improvement, the following enterprises should be closed, suspended, merged or transferred to other lines of production. They include enterprises haphazardly developed which are not essential to production; enterprises with sustained losses that produce inferior products; enterprises with extremely high consumption that are unable to reduce their production costs and enterprises that duplicate the functions of other enterprises and compete with large industries for raw materials. In this way, although the number of our industrial enterprises will be reduced, the production facilities, technological level and management capability of the remaining enterprises will inevitably be improved after readjustment, restructuring, consolidating and improvement. Those industrial enterprises which have been readjusted and restructured will become the powerful economic strongholds for realizing our four modernizations. They will become the industrial task force for our large-scale socialist modernized construction after the 3 years of readjustment.

Fourth, after the smashing of the "gang of four," and especially after last year's National Science Conference, everyone wants to forge ahead and do something. For the scientists, technological personnel and the popular masses of young students, scientific study and research have become the order of the day. Everyone has the determination to make up for the damages

wrought to scientific research during the 10 years of serious disruption caused by Lin Biao and the "gang of four." Within the enterprises, people are trying to study methods to resolve the problems related to signs of degeneration in management after they are exposed. Of course, this "soft stuff" has not yet received popular attention like the "hard stuff." However, the trend of attaching great importance to the "soft stuff" will soon be developed. Only when scientific and technological talents and equipment are greatly developed and management levels improved will our socialist modernized construction be able to advance in great strides through continuously overcoming the many obstacles.

Immediately after liberation, the Truman Administration of the United States interfered with our liberation of Taiwan. The United States gathered together many countries to form an embargo against us. The Chinese people then faced rather significant difficulties. At that time, Comrade Mao Zedong pointed out to the people of the whole country that, we "have difficulties, but we have the means and the hope to overcome such difficulties." At present, in realizing the four modernizations and winning the first battle of the four modernizations, we will face various difficulties. However, we have the conditions for solving these difficulties one by one. We have the means to realize socialist modernized construction. We are full of confidence and hope. After the struggles to overcome many difficulties, we can be sure of victory in the four modernizations and can certainly realize socialist modernized construction successfully.

CSO: 4006

'GUANGMING RIBAO' DISCUSSES ENTERPRISES' DECISIONMAKING POWER

Editor's Comment

HK031224 Beijing GUANGMING RIBAO in Chinese 25 Aug 79 p 4 HK

[Editor's comment: "One Step of Practice Is Far More Important Than a Dozen Programs"]

[Text] An experiment in expanding the enterprises' decisionmaking power in Sichuan Province has evoked general interest. There are two reasons for it. First, experimental units have scored better results. Compared with the same period of last year, 84 percent of the experimental units increased their general industrial output value by 15.1 percent in the first half of the year, which was 6.5 percent higher than the average industrial output value increase of the province. Experimental units reached their target for increasing profits by 26.2 percent, which was 9.1 percent higher than the average profit increase of the whole province. The reasons rapid production development can be achieved in those experimental units should not be attributed entirely to the expansion of the enterprises' decisionmaking power. However, it is one of the main reasons for the success. Today we recommend several typical examples of the experimental units, illustrating from different angles the positive role of the experiment. Second, those experimental units have made the first step and acquired preliminary experiences. Marx said: "One step of practice is far more important than a dozen programs." With typical examples unearthed in practice, we can measure whether or not the original ideas and programs are applicable or are to be revised and improved. In such a way, we will also find out which ideas and plans are to be further tested on a larger scale. In a word, the experiment carried out in Sichuan Province and some other places shows that we have made the first step in the reform of the economic management system and such a step deserves commendation. If we only talk about it and fail to rapidly acquire practical experience, we will bungle the chance of success.

The purpose the experiment is to reform the former economic management system by smashing the fetters which hamper the enterprises' initiative. In other words, the restrictions such as "you must not do this" and "you

are not allowed to do that" should be changed into "you can do this" and "you have the right to do that." It is just as the comrades in Sichuan said: "The rope binding enterprises should be loosened." This vividly shows how severely the initiative of the enterprises has been hampered. Only by changing the present state of affairs can the development of their production be further promoted.

The expansion of the enterprises' decision-making power includes increasing the enterprises' authority in dealing with manpower, materials and financial affairs. Financial power is the core of the matter. In other words, the economic interests of the state (both central authorities and localities), the enterprises and staff members should be closely integrated. If an enterprise's production is carried out well, it will earn more profits and the personal incomes of its staff members will increase or vice versa. Furthermore, every enterprise and its staff members will concern themselves with the production and the economic management of the enterprise. Enlivened with decisionmaking power, enterprises concerned will make use of their financial and material resources by adopting proper measures in accordance with actual conditions to consolidate the results of the campaign to increase production and practice economy. This means that the enterprises' production will be promoted and their economic results consolidated.

The incomes of enterprises will be increased after the expansion of their decisionmaking power. The problems of distribution between the central authorities and localities on the one hand and between the enterprises and individuals on the other should be properly solved. It is wrong to attend to the interests of certain aspects only. For instance, it is completely wrong to increase the incomes of individuals, enterprises and localities at the expense of the state revenue. The five documents issued by the State Council concerning the reform of the management system of state-run enterprises have been transmitted to the lower levels. In accordance with the stipulations of the documents, experiments must be conducted to acquire practical experience. In so doing, we will find a better way to reform our economic management.

Reform of Economic Management

Beijing GUANGMING RIBAO in Chinese 25 Aug 79 p 4

[Article by Chen Weiyl [7115 1218 0308], manager of Chengdu Measuring and Cutting Tool Plant: "Functions and Responsibilities Clearly Defined, Reward and Punishment Based on Evidence"]

[Text] The expansion of the enterprises' decision-making power means giving certain benefits and responsibilities to the enterprises, because the benefits and responsibilities of the enterprises are inseparable from their powers. If the enterprises do not have necessary powers and must refer all matters, big or small, to higher levels one by one for scrutiny and approval,

there will be no ground to talk about their benefits and responsibilities. The fact that in the long past there were problems of no distinction between good and poor performances, giving reward or punishment without clear evidence and finding no way to trace economic responsibilities was, besides other factors, directly related to the lack of decision-making powers of the enterprises. As an experimental unit in the expansion of enterprises' decision-making power, our plant and staff members and workers now have a better understanding of benefits, and our work of management has become more flexible and positive than before. The broad staff and workers can better give play to their activism and creativeness. At the same time, we also feel the increasing responsibility of our enterprise that we should make still greater contributions to the state in the new long march. We have used the expanded power as a motive force, pushed overall economic accounting of the enterprise, introduced an economic contract system between workshops and offices, and promoted the management and production of our enterprise.

Based on the results of the three-level management and two-level cost accounting carried out last year, we introduced an economic contract system between workshops and offices, defined clearly each other's economic responsibilities and laid down the items agreed upon and corresponding rules for reward and punishment. The production workshops should achieve "four fixes" and "three guarantees," that is, fixing the personnel, machine-tools, the norm of working hours for a product and the time for making the quantity of goods, and guaranteeing variety, quality and profit. The functional offices should give "ten assurances" to the workshops, that is, assuring the supply of raw and other materials, the supply of working apparel, the maintenance of equipment, correct and complete drawings and blue-prints, correct and complete technological documents and their use, the supply of water, electric power and ventilation, the assignment of labor power and the timely use of working-hour norms, the prompt delivery of production plans and the reserve of goods, the protective devices for safety of operation, the prompt inspection of quality of products and the final checking of completed goods. On the basis of carrying out the economic contract system in the plant, we further perfected and strengthened the cost accounting of the two levels of workshop and office, and strictly enforced the verification of targets. In the workshops, we checked output value, output, variety, quality (including the proportion of rejects and inferior products and the proportion of products up to specifications by selective checking for storage), profit, created value according to fixed assets, balanced productivity, the condition of equipment and the safety of operation, as the nine targets. In the auxiliary workshops, we checked targets of effective working hours and hourly expense as cost of production. With workers' groups, we checked the targets of their effective working hours, consumption of materials, hourly expense, recovering and use of old and waste materials, and comprehensive use of material. All workshops and offices can receive rewards for their fulfillment of targets, and would receive less or no rewards for their failure to fulfill targets. More rewards were given to those who scored better results than those laid down in the targets. The

workshops further issued rewards to workers' groups and individuals according to their actual fulfillment of targets. In so doing, throughout the plant from top to bottom, all tasks were clearly defined, reward and punishment became clearcut. All people should concentrate their energy on production and, in the course of organizing production, continuously expose contradictions, solve the contradictions and promote the improvement of enterprise management.

Since our plant introduced overall economic accounting and enforced an internal economic contract system, we have initially changed the past situation of running the enterprise by simply relying on administrative orders, and ensured that the enterprise will act according to objective economic laws. Before the enforcement of the economic contract system, the plant authority sent production tasks down to workshops without the assurance of effective economic means, and there were always occurrences of "opposition" and "haggling." Sometimes when the workshops failed to fulfill their tasks, the plant authority issued administrative orders to criticize and educate them. In a short period of time, production can also be "promoted." Eventually, risking our manpower, consumption and equipment, not only did we have no means of guaranteeing the quality of products, but production also dropped very quickly. After the enforcement of the economic contract system, we integrated the functional responsibility system closely with economic responsibilities. The result of accounting is no longer only a piece of paper but actual economic interests. According to the "four fixes," "three guarantees" and "ten assurances" agreed upon, the workshops must be responsible for the economic results brought about by them, all functional offices must provide the workshops with necessary conditions for production. The responsibilities of both sides are clearly defined: reward and punishment will be based on evidence. There will be economic means to ensure the fulfillment of all plans and targets. In carrying out the contracts, the plant authority adopted annual plans, made daily calculations and monthly arrangements, and checked the fulfillment of contracts for the current month. Any problems unearthed are to be examined and corrected so that they will not pile up. At meetings for arranging production, it was not necessary to "play games" again. With strict checking of targets and respective economic interests, we have mobilized the enthusiasm of the workshops in organizing production and a new atmosphere of balanced production, unity and cooperation has emerged.

With the enforcement of overall economic accounting, all people become their own masters, manage financial affairs, concern themselves with production and pay attention to practicing economy. For polishing hooks of silk cones, the workshop making toothed boards for silk cones must get from the stockroom 500 pieces of new emerycloth each month. At present, they are collecting old and used cylindrical sandstones for use from the milling workshop, and can save about 6,000 yuan in one year. In the past, whenever increasing production was mentioned, all workshops fought for more men and equipment; at present, all people are making careful and detailed calculations and will, on their own initiative, hand over any equipment lying

idle to others for use. In the first half of this year, under conditions of comparatively stringent power supply and the shortage of certain raw and other materials, production rose steadily in our plant. During the said period, we fulfilled 66.7 percent of our annual plan for output, 28.3 percent more than that of the same period of last year, fulfilled 58.5 percent of our annual plan for output value, 25.3 percent more than that of the same period of last year, fulfilled 57.7 percent of our annual plan for profit, 39 percent more than that of the same period last year, handed over to higher levels slightly more profits than in the same period of last year, and reduced both production cost and circulation funds by 11 percent as compared with those of the same period last year. As regards quality of products, the proportion of products found up to specifications by selective inspection for storage in stock reached 94.2 percent.

Technical Transformation Promoted

Beijing GUANGMING RIBAO in Chinese 25 Aug 79 p 4

[Article by Zhao Yin [6392 0603], manager of Chongqing Knitting Fabric Plant No 2: "The Pace of Technical Transformation Is Quickened"]

[Text] Our existing enterprises are the bases for us to carry out socialist modernization. The important question is, how to realize technical transformation and gradually modernize them? In the past, all enterprises surrendered all their profits to the state without leaving one cent to themselves. They had no means to carry out a major transformation of their equipment. The state also had never appropriated adequate financial and material resources for the performance of this work. Therefore, many old enterprises kept the same equipment for a very long time, never improved their technology and could not renovate their products. Take our plant as an example: Our plant had 250 sock-making machines, of which there were only 19 Model-503 machines for making three-color flower-knit socks for men which were at the time comparatively advanced in the country. All the other machines were out-of-date including 50 of the 1930 equipment for making only flat-pattern plain socks long rejected in the market, and another 50 for making children's socks which exceeded the demand of the market. There was an urgent need to replace the machines of these two categories. From 1971 to 1976, we had handed over 10 million yuan in profit to the state in these 6 years. In the 3 years from 1977 to this year, we again handed over nearly 10 million yuan in profit to the state. However, the replacement of machines required hundreds of thousands of yuan. In 5 consecutive years since 1974, every year we made plans and sent out reports, but we never could implement our plans, nor could we place orders for new equipment. This year, by setting up experimental points for expanding the power of decision-making, we began to solve this problem.

In December last year, the national conference on placing orders for knitting equipment was held in our plant. We placed orders for 70 Model-503 machines for making three-color flower-knit socks and 10 Model 59-4 sock machines and their necessary accessories at the cost of 250,000 yuan. However,

there were no funds available for these orders. In January this year, the first consignment of 20 machines arrived; payment of 60,000 yuan was required. At that time, we just received from the provincial party committee the document concerning experimental points for expanding the enterprises' decision making power. This document stipulated: "Funds to be used by enterprises for renewal and transformation, enterprises' basic funds for the development of new technology and increased profits from the introduction of new technology and equipment may all be retained by the enterprises in the next 2 years as their basic funds for the use of tapping potentials, renovation and transformation." We were very happy to read this rule. At that moment, we had kept 30,000 yuan of basic funds retained in 1978 and a surplus of 30,000 yuan from the balance of funds for renovation and transformation. We intended to use these funds to pay for the 20 machines delivered to our plant. Later, with profits from the use of the new machines, we should be able to pay for the other 60 machines ordered. However, it was the time of the Spring Festival, and some units had issued annual bonus from their enterprises' basic funds. The workers of our plant also asked for the distribution of a part of our basic funds among them. We had only so much money and could not pay for the machines if part of the money was given away, and could not issue any bonus if we paid for the machines. It was not possible to do both. Therefore, we presented this question to the conference of workers' representatives for discussion. We made a calculation at the conference: If we buy these 20 machines and put them into operation in April, we could earn more than 40,000 yuan each month and 360,000 yuan this year as profits. These profits would be retained by our enterprise. We could not only pay for all the 80 new machines but also draw part of our basic funds to build dormitories for our workers, thus solving the long outstanding housing problem. This calculation enlightened all people who showed their enthusiasm and decided to use this money to pay for the new equipment, expand reproduction, increase patterns and varieties of products and meet the needs of the market. The workers gave up their Spring Festival holidays and immediately began the work of installation. It was completed in a little over one month. In March the machines were tested and formal operation began from April. Up to the end of June, these 20 machines brought in 138,000 yuan in profit. We used this money, plus the enterprises' basic fund and depreciation fund drawn according to stipulations for experimental enterprises, again to pay for 50 Model-503 machines, of which 20 are now being installed for formal operation in September according to our plan. The work of building workers' dormitories has also started. With the operation of these 20 machines, we will have additionally seven new varieties and 20 new patterns, which the provincial bureau of light industry has recommended to the ministry of textile industry as popular brand products.

Next year, we will be prepared to further use our enterprise's basic funds to install more new machines and discard most of the old ones so that an old plant will put on a new appearance. We are also experimenting on the electronic one-step digital controlled flower-knit machine, and have just handled the operation of a single machine. We are going to make further tests to control 15 sock-weaving machines with one electronic computer.

At present, the workers are still doing very heavy manual labor, one worker must thread more than 70,000 needles in a day, hurting his eyes very badly. This situation has not been changed in the past scores of years. With the expansion of the enterprises' decision-making power, fairly great progress has been achieved in technical transformation within a very short period of time. The workers are greatly inspired. They said: "We sock-weaving workers also have our future."

Economic Accounting Strengthened

Beijing GUANGMING RIBAO in Chinese 25 Aug 79 p 4

[Article by Hu Maozhou [5170 2021 3166], manager of Sichuan Chemical Engineering Plant: "Consciously Practicing Economy and Closing Loopholes"]

[Text] Since October last year, our plant began to conduct the experiment of expanding the enterprise's decision-making power, and has gained initial results. Last year, our two devices for making synthetic ammonia, one new and one old, had a total output of 520,000 tons, exceeding their designed capacity by 9 percent and surpassing the production plan by 20 percent, from which we handed over 112 million yuan in profit to the state, exceeding the plan by 73 percent. We scored the best results ever of eight economic and technical targets.

At the very beginning of this year, we were faced with two problems: One was that the number of operation days of both the new and old systems reached the highest level ever. They gave full play to their productive capacity, the external conditions are not as favorable as last year. How can we further increase production and practice economy? The other problem was, how can we further improve the enterprise management and raise the level of profit on last year's basis by using the economic motive force and means provided by the experiment of expanding the enterprise's decision-making power?

We analyzed these two problems. When an enterprise used devices operating in excess of their designed capacity, it was rather difficult to further increase production to a large extent. However, according to the conditions of our plant, if we only strengthened management, closed the loopholes and reduced consumption, we would be able to raise the level of profit. In this field, there was still very great potential. To tap this potential, we considered using the power bestowed by the experiment of expanding the enterprise's decision-making power, introducing an internal independent system of accounting inside our plant by centering on profit, combining economic results, economic responsibilities and economic interests, integrating state interests with the interests of workers as individuals, the interests of workshops and the interests of the enterprise and mobilizing the enthusiasm of the broad staff members and workers. In doing so, we could not only lead the experiment of expanding the enterprise's decision-making power further, but also impart a new economic motive force to increasing production and practicing economy.

In the past we had also undertaken economic accounting; however, sometimes it became only a formality, most expenses were reported as they were, or were shared proportionately, economic responsibilities were not clearcut, economic results and economic interests were not linked, it was still like "everything for everybody." On this occasion, on the basis of the plans of output and profit transmitted by the state, we stipulated prices for internal balance on raw and other materials, motive power, half-finished products, finished products and labor service, fixed the norms of consumption and the quotas of workshops' cost of production and expenses, as our guidance for making balance and checking economic results, and transmitted them to all units subordinate to our plant. Inside our plant, all economic transactions among all units were changed from single entry to double entry, from sharing proportionately into striking a balance, and were calculated for profit or loss according to workshops. Meanwhile, rewards were linked with economic results, to be issued to various units according to the proportionate decrease in cost of production and the degree of difficulty of tasks accomplished. Rewards were issued for profits, more rewards for more profits, no reward for no profit. Inside the workshops, accounts were kept for all workers' groups. Targets of output, quality, consumption and production costs were transmitted in detail to the groups and individual workers so that the productive activity and economic results of each individual were linked, workpoints were calculated on accomplishment of the targets, rewards were calculated on workpoints.

As economic responsibilities were clearly defined, economic accounting was thus strengthened in the manifestation of economic interests; therefore, the staff and workers intensified their sense of responsibility for managing financial affairs as their own masters and stressing economic results, and gave rise to a very strong influence of practicing economy. In the past, we also repeatedly launched the campaign of opposing extravagance and waste; however, the campaign could not be sustained in spite of very great efforts, because it was not linked with economic interests. At present, all people consciously believe in practicing economy and closing the loopholes. All workshops are trying by all means to reduce consumption, cut down expenses and tap internal potentials. Whatever work they can do by themselves will not be done by other workshops. They will not ask for new things when old and used things may be used. All workshops even strictly control the consumption of gas for daily use, such as cooking rice and taking baths. Our plant's consumption of energy constitutes 75 percent of the total cost of production. To reduce the consumption of electricity, natural gas and water becomes the principal measure for the improvement in economic results. Formerly, the gas-making workshop required steam from external sources. Now, the workshop is using its surplus heat and not only has become self sufficient in steam supply but also is supplying steam to others. At present, the steam workshop has stopped the operation of one boiler of 30 tons, and can save daily 55,000 cubic meters of natural gas. The gas-making workshop has selected the best source of gas, made careful measurements, studied operational data and carried out its operation according to the "best" organized economy, so that the consumption of natural gas for making each ton of synthetic ammonia is reduced by 50 cubic meters. The synthesis

workshop has more frequently operated single units of its key equipment, selected the best technology of purification and reduced the unit consumption of electric power by more than 90 kilowatts. In one year, the workshop saved 3 million yuan in the cost of power and gas supply. In the first half of this year, our plant saved a total of 440,000 kilowatts of electricity and 2.1 million cubic meters of natural gas. The old system cut down the cost of production for each ton of synthetic ammonia by 12 percent as compared with that of last year. In the first half of this year, our plant also recovered from inventory 7.25 million yuan worth of equipment and material still useful for other factories, of which 40 percent has been disposed of.

Economic accounting has also pushed forward the enterprise's control of production technique and basic work. In a plant with installed equipment, the occurrence of an accident or mistake in handling at any small link in the course of production can always cause the interruption of operation of all the equipment, and bring about extravagance and waste. A steady operation over a long period will make it possible to increase production and practice economy. Therefore, all personnel of our plant are paying serious attention to the maintenance of equipment and strict technological operation, and managing production according to "precautionary" requirements to guard against accidents. In the first half of this year, the new system was in operation for 175 days. The operation of the old system, with the compressor as its representative, was improved by 10 percent; the capacity of single unit equipment was improved by 8 percent. The whole plant fulfilled the technological targets up to 95 percent. The daily, monthly and quarterly output of synthetic ammonia scored their highest records ever. The quality of all principal products reached the best level ever and met the requirements of targets laid down in the upgrading plan. With better quality of products, our profit increased by 1 million yuan in the first half of this year. All workshops readjusted their work of measurement, perfected the installation of measuring instruments, improved the primary records, perfected management by quotas and intensified inspection and checking.

With efforts made by all our staff and workers, in the first half of this year, the output of synthetic ammonia increased by 2.6 percent over that of the same period of last year, the output value increased by 5.6 percent, and profits increased by 7 percent, all having attained over 60 percent of the state plan for the whole year.

Raw Materials Conserved

Beijing GUANGMING RIBAO in Chinese 25 Aug 79 p 4

[Article by Zhongnan Rubber Plant in Chongqing: "Look for Raw Material from More Sources"]

[Text] In the first half of this year, our plant achieved 35.75 million yuan of total industrial output value, 85 percent of the yearly plan, and earned

7.6 million yuan in profit, 84 percent of the yearly plan. The quality of all principal products surpassed the national standards. According to our estimate, the total output value of the whole year will attain 70 million yuan, a 66 percent increase over the plan and 43.1 percent over that of last year; our profit will reach 15 million yuan, a 66 percent increase over the plan and 36.3 percent over that of last year. The situation in production is very good.

However, at the beginning of this year, the prospect of our plant was not very encouraging. This year, the government arranged for our plant only planned tasks of 42 million yuan, being 14 percent less than the output value which we had actually made last year. For instance, the planned task of making transmission belts covered only 4 months of our production schedule, that of making cotton-threaded rubber tubes required only 6 months to complete, those of making other products could meet only 8 or 9 months of our operation. Our production tasks were seriously inadequate, and became the main obstacle in the development of our production. If the situation occurred in the past, any enterprise was helpless. Whatever the government arranged should be produced; how much was arranged, so much should be produced. We had not an iota of decision-making power. Moreover, we got nothing more or less by doing more or less work. The enterprise also never took the initiative to look for jobs. This year, the situation is different. Our plant is one of the experimental units to expand the enterprises' decision-making power. Any decrease in output and profit will not only go against the new condition of shifting the focus of the party's work but also seriously affect the retention of the enterprise's basic funds and rewards, and is directly related to the future development of our plant, and to the incomes of the staff members and workers. Therefore, all of us were worried about the shortage of tasks, and tried to find good ideas and effective methods for solution. In the "Suggestions on the Experiment of Sichuan Province's Local Industries to Expand Enterprises' Power and Accelerate the Pace of Production and Construction," it was stipulated that under the precondition of fulfilling state plans completely, all enterprises can accept materials from others for processing. It gave us the freedom of looking for means to increase production.

First of all, we sent people to places in and outside the province to investigate the demand of rubber tubes and belts. This year there are less jobs mainly because raw materials are in short supply. According to our information, the demand for rubber tubes and belts is still very great. As far as our province and some places in neighboring provinces are concerned, facilities of processing rubber tubes and belts are still inadequate. Therefore, if only the sources of raw material are available, it is entirely possible to increase production. We should not simply sit idly and wait for a solution of the problem by higher levels, and must rely on our own efforts to look for raw material from more sources. According to conditions in places where processing facilities were inadequate, the processing of materials to be supplied by others would be the way to meet the shortage of raw material.

While our people went out to make contact with those who had raw material for processing, they were faced with the following problem: The processing of rubber articles required many kinds of raw and auxiliary materials which were not always totally available from these units. If we asked them to supply us with all the necessary materials, we would close this channel of business. Then we adopted a more flexible method by asking them to provide us with materials which they could acquire. In fact, we were playing the role of regulating the supply of raw material among these units, and trying our best to maintain a balance of the supply of principal raw and other materials. In doing so, we enlivened the work of processing materials supplied by other units. For instance, when we accepted an order for processing materials from a provincial chemical engineering company, we found that this province had in possession a great deal of rubber and zinc ore but no other auxiliary materials. Then we asked the company to provide us with only rubber and zinc oxide. The company was also asked to increase its supply of rubber by 30 percent over the quota to make up its short supply of other auxiliary materials. As another example, another province was in urgent need of processing a batch of transmission belts. This province had no rubber but a large stock of canvas. Then, we used the surplus of rubber supply from other places to produce belts required by this province which gave us more canvas. This adjustment not only solved their difficulty but also eased our shortage of canvas. As our work of processing materials supplied by others was flexible, and the quality of our products was good, these units were willing to recommend us to other units for processing work. Up to the present, we have signed contracts with commodity departments of four provinces for the output value of 21.03 million yuan, and changed entirely the situation of the shortage of jobs.

We have calculated an account that when we fulfilled the plan of increasing production and practicing economy, we could retain 1.38 million yuan as our enterprise's basic fund this year according to the stipulations of the "Suggestions on the Experiment of Expanding Enterprises' Decision Making Power." This year's depreciation fund from fixed assets to be retained by our enterprise will be 288,000 yuan. In addition, we have built an extension line for processing rubber tubes, and can increase our profit by 400,000 yuan this year. According to stipulations of the "Suggestions," we can retain all our profits in the next 2 years. All the foregoing three items total 2.068 million yuan. The equipment of our plant is out-of-date and too old. In the past, we had no means of carrying out major transformation projects without government investments. This year, we are going to undertake 28 transformation projects with the basic funds of our enterprise, including mainly the extension lines for processing rubber tubes and automatic lines for irrigation rubber tubes. With the enterprise's funds, this year we can build 3,600 square meters of dormitories for our staff and workers, and gradually solve their housing problem. We expect to retain some 200,000 yuan for rewards this year, constituting 0.93 percent of profits and taxes.

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CSO: 4006

FUELS AND POWER

DEPUTY POWER MINISTER WANG INTERVIEWED

Hong Kong JINGJI DAORAO in Chinese No 33, 22 Aug 79 pp 2-3

[Article: "How the Development of Electric Power Industry of This Country May Be Accelerated"]

[Text] The electric power industry is the forerunner of the development of production construction; it is also one of the weak links of the national economy of China today. The businessmen of Hong Kong and Aomen doing business with China in manufacturing and compensation trades or cooperative production or joint-investment business dealings are quite concerned about the situation of the Chinese electric power industry. Recently, a JINGJI DAORAO reporter visited with Deputy Power Minister Wang Lin [3769 2651] of the Ministry of Electric Power Industry and obtained the following answers to these problems from him.

Question: First of all, please describe the present state of China's electric power industry.

Answer: Significant achievements have been made by the electric power industry of this country over the past 30 years, just as many other parts of the national economy have done. Since 1953, the early days after the liberation, till 1978, the total machinery volume of our electric power industry has increased more than 20-fold, and the total electricity generating capacity by 34-fold. However, we must recognize that the electric power industry, which plays the role of forerunner of the development of the national economy, is still one of the weak links, thanks to the interference and destruction wrought by Lin Biao and the "gang of four" and to the shortcomings in economic work which adversely affected the critical problems related to the progress of our modernization construction. In the past decade or so, the investment made in China's electric power industry occupied too small a percentage of the total investment of the national economy; while the number of generators was decreasing the demand on electricity by agriculture and industry was increasing at rapid pace. This resulted in a critical imbalance between the supply of electric power and the demand made by the other sectors of the national economy. Since reorganization was carried out over the 2-year period from 1977 to 1978, a larger capital investment has been made in electric power industry construction. More than 8 million kilowatt capacity

of electric generating equipment has been installed and power generation has increased 53.4 billion units, with a significantly improved quality of electric power supply. Various fundamental construction works, including generator assemblies, transmission lines, and transformer stations, have also shown significant achievement. Nevertheless, the power shortage situation of the entire nation has not basically changed. Tense situations still exist between the supply and demand of electric power, and a great economic loss has resulted from the fact that electric power for industry and agriculture as well as for people's lives cannot be guaranteed. According to a survey conducted in some of the provinces, cities, and autonomous districts, the enterprises today could raise their production by 20 to 30 percent if there were a sufficient supply of electricity. Some new enterprises cannot start production because a shortage of electric power. We are undergoing a process of readjusting the electric power industry in order to alter these situations.

Questions: What are the main steps in readjusting the electric power industry?

Answer: First of all, the proportion of capital investment in the electric power industry is being raised so that a better balance between the electric power industry and the other industries may be maintained. Over the next several years, capital investment in electric power industry will be increased steadily according to the national economic plan, so that the electric power industry can catch up with the other industries. Secondly, at the same time the thermal power stations are being developed, the development of hydroelectric power stations is also aggressively being pursued. These decisions are based on the rich coal resources and the hydraulic power resources that this nation possesses. Thirdly, we are going to solve the problems related to the proper proportion between generating capacity and transmission and transformer equipment. Due to insufficient capital investment in the past, items relating to the distribution of power have been slighted, creating in some areas insufficient transforming capacity, or worse, creating an accumulation of electric power despite a shortage because several hundred thousand watts of electric power simply cannot be distributed. This kind of situation must be corrected. Fourthly, at the same time new power stations are being built, we must improve the maintenance of existing generating equipment, so that their production power can be fully utilized.

Question: What major works are being emphasized in the process of readjustment in order to accelerate the development of the electric power industry?

Answer: We have already taken some measures in this area and we are working hard. The first item is to accelerate construction work. At the same time we are working hard to accomplish this year's task concerning the installation of generating units of 4 million kilowatt capacity, we are also speeding up construction of transmission lines and transformer stations. There is a significant increase in the construction of transmission lines and transformer stations this year compared with last year. A greater majority of this construction is related to the accessory items of hydroelectric and thermal power plants. Secondly, we are going to make existing equipment develop

their full potential. As a result of our effort over the past two years--1977-1978--we have finished the task of digging and improving the accessory works for 2.4 million kilowatts out of the planned 4 million kilowatts, and the remaining task is expected to be finished by the end of this year. The tasks related to transmission and transformer equipment are to be accomplished as soon as possible within 3 years. Thirdly, the preliminary planning, surveying, and designing for electric power industry construction will be carefully executed. This is an important link for speeding up the construction of electric power, especially hydroelectric power. This country is rich in hydraulic power resources. The theoretical deposits are estimated at 580 million kilowatts, while those that have been exploited amount to only 2.5 percent of the total. During the 3-year of readjustment of the national economy, we must go one step further to accomplish a general survey of the hydraulic power resources of this country in order to locate 10 large-scale hydroelectric power bases and to make plans. Development of hydroelectric power plant construction is also a strategic measure to ease the tension of fuel and transportation problems. Moreover, it is a pollution-free energy source. Also in the 3-year period we must select sites and make plans for more than 10 thermal power generation bases. Trunk transmission lines of more than 220,000 volts connecting various hydroelectric and thermal power bases are being planned now, and we are trying hard to finish construction before the deadline. Fourthly, establishment of combined coal and electric power bases. Future power plant construction is to be centered around the coal mining areas. A group of power plants are to be built around a coal mine base to form a large-scale electric power base and thus transform a situation of "southward transportation of northern coal" into "southward transportation of northern electric power," which is more economical and rational. We have already started construction of large-scale electric power bases in the coal mine bases of Dongbei, Huabei, and Huadong. Construction of a few large-scale coal mine area electric power bases will be started this year. Fifthly, the development of large-scale mechanical assembly and super-high voltage transmission and transformer equipment and the production of 200,000-kilowatt steam turbine generator unit have basically passed the barrier today and we are moving step by step toward the mass-production stage. A 300,000 kilowatt steam turbine generator unit is being improved, while construction of 500,000-volt transmission and transformer equipment is being carefully carried out today. At the same time, a small number of generator units and transmission and transformer equipment will be imported to meet the demand which domestic production cannot satisfy temporarily.

Question: Please talk about the accomplishments made this year by the electric power industry and the prospects for developing the electric power industry over the next 3 years of readjustment.

Answer: This is the first year for the readjustment of the national economy. This country's electric power industry achieved very good results in the first half of this year. Although hydroelectric power generation in some areas was affected by a severe drought, the total electric power generation for the entire nation is steadily rising month after month, and the record

of the daily average power generation is continuously being rewritten. Total electric power generation in the first half of this year was 10.9 percent more than over the same period last year. The 12 large electric networks of this country all increased their power generation this year over the same period last year by different degrees. Eight large networks increased their electric power generation from 10 to 30 percent over the same period last year. In the first half of this year, the average coal consumption per unit of power generated for all thermal power plants (of more than 6,000 kilowatt capacity) was 423 grams, which was 13 grams less than that of the same period last year. The power consumed by the plants themselves and the power lost through the transmission lines were also lower than those of the same period last year.

Construction of large and medium-scale hydroelectric plants is progressing steadily. From January to June, hydroelectric plant construction achieved 57.8 percent of the planned work for the year, which amounted to an increase of 8.8 percent over the work accomplished in the same period last year. The largest hydroelectric construction project being carried out today is the Changjiang Gezhou Dam water conservancy construction work. Construction of Sanjiang building there has been finished and construction of Erjiang factory building is more than half finished. Guizhou Wujinagdu hydroelectric station has a total capacity of 630,000 kilowatts. The construction of station buildings has been basically finished, and a machinery unit with a capacity of 210,000 kilowatts is being assembled today. The construction workers at Longxia hydroelectric station, located at the upper course of Huanghe, have finished drilling a guide tunnel for the construction of a water tunnel. Various hydroelectric plants located at such places as Taipingxiao in Liaoning, Xierhe in Yunnan, and Hunanzheng in Zhejiang are striving to put their first units into production this year. Large hydroelectric plants at Dongjiang in Hunan, Ankang in Shanxi, and Baishan in Jilin are being speedily constructed today.

Among a group of thermal power generating units that have been planned to be put into operation, some have been installed and some are being test-operated now. The construction of large to middle-scale thermal power stations is also progressing rapidly. The first stage of construction work involving construction of Datong No 2 power station, with a capacity of 1.2 million kilowatts, has revealed the all-around work since it was started in November last year. At the Douhe power station in Hebei, 1.55 million kilowatt capacity, construction of 0.75 million kilowatt equipment has been finished as the first and second stages of construction work. The third stage of construction work involves installation of four machinery units of 20,000-kilowatt capacity each. The foundation of the main plant building is being constructed now. There are some other large and medium-scale thermal power stations which are being expanded, with new equipment being installed. Construction of few large-scale thermal power stations has been planned to begin construction. For example, construction of the Jinxi thermal power station in Liaoning Province, with a capacity of 1.2 million kilowatts, began in the middle of June. Besides these, two 500,000-volt high-tension transmission lines, one 380 kilometers long running from Yuanhao Mountain in

Liaoning to Jinzhou in Dongbei, and another of 610 kilometers running from Pingding Mountain in Henan Province to Wuhan in Hubei Province, are also under construction.

The electric power industry is making progress while it is making readjustment, and conditions are relatively favorable today. Nevertheless, it still is one of the weak links of the national economy. We are making plans to strive to achieve rapid development of the electric power industry in the next 3 years through a rearrangement of the entire national economy. At the same time, we are aware that at the end of the 3-year rearrangement period, our national economy is bound to have developed significantly with a consequent increase in demand for more electricity for industrial and agricultural applications. Therefore, we must grasp this opportunity and make preparations for the future development of the electric power industry during this period of readjustment.

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CSO: 4006

FUELS AND POWER

GREAT POTENTIAL IN SMALL HYDROELECTRIC PLANTS

Guangzhou NANFANG RIBAO in Chinese 18 July 79 p 1

[Article by the Resident Commentator]

[Text] The development of small hydroelectric plants by utilizing hydraulic power resources has important significance for easing the tense electric power supply situation of this province today and promoting industrial and agricultural production, as well as accelerating the change in appearance of mountain areas and improving the people's life in the mountain areas. The facts presented by the Shaoguan area and many other areas have repeatedly proven this point.

In the vast mountain areas of this province, there are many rivers and rich stores of hydraulic power resources which can be utilized to develop small hydroelectric plants. In the Shaoguan area alone, there are already more than 2,000 small hydroelectric plants today. However, the hydraulic power resources that have been utilized by these plants still amounts to less than 10 percent of the total hydraulic power resources that can be exploited. Nevertheless, the electric power obtained from converting this small fraction of hydraulic power has supplied more than 260 million units of electric power each year to the area for industrial and agricultural applications. With electricity made available, significant changes have taken place in the political, economic and cultural life of the people in the area, and the mountain people are very happy. Operating small hydroelectric plants is truly a good enterprise which brings happiness to the society as well as to the people, and so it should be strongly encouraged. Some of the economically well-developed nations of the world today utilize more than 90 percent of their hydraulic power resources.

In our province, although we have built quite a few medium and small hydroelectric plants in recent years, we have only opened the gate to the huge enterprise of utilizing hydraulic power resources. According to a survey conducted by the concerned department, as many as 5-6 million kilowatts of electric power can be generated from hydroelectric plants and equipment built and installed at selected spots. We must attach importance to the enthusiasm toward hydroelectric power displayed by the various counties, communes, and

brigades, and strongly support their effort to exploit hydroelectric power by the masses so that the scattered hydroelectric power resources may be utilized further in service of the Four Modernizations.

However, there are still some comrades who do not quite understand the importance of these small hydroelectric plants. They say: "Operating small hydroelectric plants requires a great deal of effort with little return." These comrades lack the necessary enthusiasm toward hydroelectric plants. Their attitude of despising hydroelectric plants is wrong. In fact, many of the counties, communes, and brigades have not only solved the electric power problems of their own counties, communes, and brigades but have also contributed to the nation by supplying the excess electric power to the greater power network, and thus have helped ease the tense electric power supply situation. Our country is undergoing a nationwide readjustment, reform, and rearrangement of the national economy in order to solve many problems of disproportion, including solution of an outstanding problem related to the shortage of electricity so that the national economy may be able to make proportionately rapid progress. The demand on electric power will grow each day with the progress of the four modernizations. Irrigation and drainage and mechanization of agriculture, all require electric power. Industrial production requires electric power, and people's living also requires electric power. There will be difficulties if the greater national network alone is expected to satisfy all these demands. These problems can be solved more effectively and quickly only by mobilizing the masses and the enthusiasm of the counties, communes, and brigades to operate small hydroelectric plants wherever adequate conditions exist according to the slogan "rebirth from one's own power" at the same time the greater national network is being expanded. We must not underestimate the importance of these small hydroelectric plants. We must place them in the proper place, that they deserve, and support them enthusiastically so that they can be further developed.

Of course, some areas may encounter problems during the course of developing their hydroelectric plants due to the lack of experience and mismanagement of basic construction procedures, and thus be unable to achieve the expected impact instantly. For example, some areas searched for equipment only after they finished their basic construction work, and thus delayed the production date. Some others were incomplete in their preparations; with conditions which were insufficient for a hookup with the greater network, they made haste to build big plants and installed big equipment but failed to produce electric power, thus resulting in waste. In addition, there are many plants where the generating equipment is not fully utilized due to poor management. These problems must be quickly and correctly solved. Therefore, every area must start from where they stand and follow the road of the masses by drafting an overall plan well according to what local circumstances dictate with the objective to achieve the practical result, and do things according to the law of nature and the law of economics so as to be successful at every step of the construction work. The concerned government department must support the counties, communes, and brigades with the financial power and the materials

for construction of the hydroelectric plants. The Hydroelectric Department must carry out the necessary planning and assist medium and small hydroelectric power plants in improving their operational management so that every plant may be able to fully develop its potential. Mechanical department must improve the quality of the small hydroelectric equipment and strive to deliver goods on time. We need only to strengthen the leadership, mobilize and depend on the masses to carry out the undertaking positively in order to make the work of constructing small hydroelectric plants in this province even better.

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MINERAL RESOURCES

BRIEFS

GUANGDONG RUTHENIUM DEPOSIT--Guangzhou, October 22 (XINHUA)--Geologists working in Guangdong Province have found a deposit of natural ruthenium, a rare metallic element which belongs to the platinum group of metals and is used in the electronics industry. This is the first discovery of its kind in China. [Text] [Beijing XINHUA in English 1228 GMT 22 Oct 79 OW]

CSO: 4020

TRUST SET UP TO HELP CHINA INVESTORS

Time Can Be Saved

Hong Kong SOUTH CHINA MORNING POST in English 29 Sep 79 p BN 1

[Text]

The China International Trust Investment Co will answer queries from prospective investors concerning joint ventures in China.

The company recently set up a branch office in Hongkong to co-ordinate joint venture deals and help solve problems that may arise.

The assistant director of the Hongkong General Chamber of Commerce, Miss Cecilia Fung, said Chinese representatives at the Hongkong branch can see for themselves whether the machinery Western businessmen are trying to sell to China is "advanced" enough and suitable for China's modernisation programme.

"Some of the investment proposals can be processed in Hongkong by this company without being referred to Peking for approval. This will save considerable time for the parties concerned," she said.

Miss Fung said the chamber is ready to co-ordinate with the new company on investment matters.

She pointed out that the chamber is also actively promoting trade between Hongkong and China.

It has been urging China to grant multiple entry visas to special businessmen.

Miss Fung noted that two American businessmen were recently given three-month multiple entry visas to enable them to visit China frequently.

She suggested the Chinese authorities should grant this kind of visa to other foreign businessmen during the

coming Canton Trade Fair on a trial basis.

Miss Fung said the chamber also has suggested that better telex, telephone and courier services be made available during the trade fair.

On the importance of Hongkong to China's development, she pointed out that Hongkong is a ready source for the transfer of technology to the country.

She said: "China must accelerate the modernisation process by cutting corners and importing relevant technology and plants. It must seek new management techniques to go with the whole programme."

"In this process, Hongkong's trading, industrial, commercial, shipping and banking communities are ready to offer assistance."

American Firm Signs

Hong Kong SOUTH CHINA MORNING POST in English 5 Oct 79 p 1

[Text]

Peking, Oct 4

A Chinese company for channeling foreign investment opened its doors today and promptly signed a deal with a San Francisco corporation willing to provide US\$150 million (about HK\$750 million) over the next three years.

Mr Rong Viren, one of China's richest men before the communist takeover in 1949 and now chairman of the China International Trust

and Investment Corp (CITIC), said the formal agreement was signed with the E-S Pacific Corp.

He described E-S Pacific, which is owned by American Chinese interests, as an investment company and said CITIC would now look for suitable ventures where the money could be used.

"They entrusted us to invest US\$50 million (about HK\$250 million) annually for three years, starting this year, chiefly in respect of joint ventures," Mr Rong told reporters in the Great Hall of the People after the CITIC board's first meeting.

Sources said the firm was interested in light industry and mining and suggested it was owned by American-Chinese interests.

Mr Rong did not give any other details.

But he said initial agreements, which appeared to be letters of intent rather than actual contracts, had been signed with three other foreign organisations, one Swiss and two American.

The three arrangements would be worth a total of about US\$30 million (about HK\$150 million), he said.

Mr Rong said about 100 other foreign organisations had expressed interest in joint ventures with China.

They came from Britain, France, West Germany, the United States, Japan, Switzerland, the Netherlands and Belgium.

CITIC was formally established today with the appointment of its officers and the adoption of a 19-article statute.

Its capital is 200 million yuan (about HK\$650 million) provided by the Government, although Article 8 empowers the corporation to accept funds from foreign companies, enterprises, other economic entities or individuals.

It can also raise money abroad for investment in China by issuing debentures or serving as agents in the issue of the shares related to investment in China, or handle trustee business or short-term or long-term investments in China.

Mr Rong said CITIC was not planning at present to issue bonds on foreign exchanges but "when we have experience we will probably consider using bonds."

— Reuter.

Top Posts Announced

Hong Kong SOUTH CHINA MORNING POST in English 6 Oct 79 p 1

[Article by Victor Su]

[Text]



Mr Li



Mr Fok



Mr Wong

Hongkong appears almost certain to become a major springboard for China's modernisation programme.

Peking's newly-formed China International Trust and Investment Corp'n has decided to set up its first branch office here and has appointed three prominent local business leaders to its 44-member board of directors.

They are Mr Li Ka-shing, who heads Cheung Kong Holdings; Mr Henry Fok, president of the Real Estate Developers' Association, and Mr K. C. Wong, vice-chairman of the Chinese General Chamber of Commerce.

A corporation spokesman, Mr Huang Ying-shung, in a telephone interview from his office in Peking's Peace Hotel, said that the Hongkong branch is expected to be set up before the end of this year.

He also assured local firms that the corporation's establishment would not affect agreements signed or under negotiation at provincial level.

These agreements cover product processing, compensation trade and plants in Shumchum, Chu Hoi, Swatow, and other areas of Guangdong and Fujian provinces.

The new corporation, inaugurated on Thursday in the Taiwan Room of Peking's Great Hall of the People, is an integral part of China's Joint Venture Law published in July, according to Mr Huang.

He said that the directors, including the three billion-dollar entrepreneurs from Hongkong, are not required to make a capital contribution to the corporation, which the Chinese Government is

funding to the tune of RMB200 million (about HK\$600 million).

Mr Li Ka-shing said yesterday that he had been unable to attend the inauguration in Peking.

However, he said, he had had many discussions with the new firm's chairman, Mr Rong Yiren, before accepting the directorship.

Mr Li stressed that the establishment of the corporation, particularly its first branch here, would definitely serve the interests of Hongkong, China and the rest of the world.

The consensus of local business opinion was that China's new opening to foreign capital would benefit Hongkong as it would provide Western business interests with a gateway to China.

Furthermore, Hongkong could provide transport and communications facilities and other services.

As the new Joint Venture Law is relatively simple, its success will depend more on goodwill and mutual trust than lengthy and voluminous documents which are common in the West.

The Deputy Director for Foreign Business Liaison and Technology Transfer of Guangdong province, Mr Li Hon-ching, in an interview in Canton recently, said some foreign businesses were hesitating to make their decision on investing in Guangdong.

The most successful agreements, he added, were made by businessmen of Chinese descent from overseas as well as in Hongkong.

Mr Li Hon-ching also revealed that the Kaiser Cement Corp'n of California had conducted lengthy negotiations over the possibility of establishing a plant in Canton long before the deal was concluded here.

Kaiser Cement eventually agreed to take part in a joint venture with Cheung Kong and China to develop a \$1 billion cement works in Tuen Mun, New Territories.

Mr Li said local businessmen would definitely play a key role in bridging the gap between China and foreign investors for many years to come.

Foreign businessmen, lawyers and diplomats are still debating the merits of the new Joint Venture Law.

They are also concerned about an article in the new law stipulating that a foreign partner must contribute at least 25 per cent of the capital and may in some cases be permitted to have up to 99 per cent ownership of such a venture.

The Chinese partner, however, would maintain effective control of the enterprise through the appointment of a Chinese chairman of the board of directors.

An unusual feature of the law — noted by American lawyers and Japanese diplomats here — is China's insistence on receiving advanced technology from abroad.

If the foreign partner of a joint venture is caught providing outdated technology, he will be made to pay compensation to the Chinese.

What worries them is the definition of advanced technology.

FIRM OPTIMISTIC OVER MAINTENANCE ORDER ON PRC PLANES

Hong Kong SOUTH CHINA MORNING POST BUSINESS NEWS in English 8 Oct 79 p 2

[Text]



Mr Shen and Mr Williams...a warm reception in Peking which bodes well for the future.

A high-ranking team from the Hongkong Aircraft Engineering Co, Ltd which recently visited Peking is optimistic of handling maintenance jobs for China's future jumbo fleet.

Headed by its general manager and director, Mr Cledwyn Williams, the delegation was warmly received by the Chinese.

During the visit, Mr Williams held discussions with the Director of the Civil Aviation Administration of China, Mr Shen Tou.

According to a HAECO spokesman, Mr Williams is "optimistic that further contracts will be signed with CAAC in the future."

Though the nature of the possible contract was not disclosed, it would likely be for the maintenance of components and airframes for the three Boeing 747SPs which China has ordered.

China also has options for three more 747s.

HAECO's local facilities at Kai Tak are presently undergoing a \$100 million expansion.

The expansion programme includes a hangar extension to enable fully enclosed maintenance work for two jumbos at a time. This extended hangar will be ready for operation in May.

HAECO has periodically sent senior officials to China to make presentations on its capabilities.

The company first undertook overhaul work for five CAAC Viscounts in 1973.

Earlier this year, it signed a long term contract with the Machinery Import and Export Corp of China for the overhaul and repair of both 707 aircraft aero-engines and component parts.

DESIGNERS AWARDED CHINA CONTRACTS

Hong Kong SOUTH CHINA MORNING POST in English 29 Sep 79 p BN 1

[Text]

The Hongkong-based design consultancy firm, Alan Gilbert and Associates, has been awarded contracts by China for the re-planning and interior design of hotels in Peking.

Together with a group of local architectural, mechanical and operational consultants, AGA will completely renovate and extend the Minzu and Xingjiao Hotels which the First Services Bureau of the city of Peking intends to raise to international standards.

The two hotels have a total of 1,600 rooms.

Like most hotels in China currently available to business and tourist visitors, the two hotels were built in the early 1950s.

Although spacious and meeting travellers' expectations of that decade, they will face stiff competition when the new hotels open in three to five years time.

Alan Gilbert and Associates was initially invited to Peking in December last year to survey nine existing hotels and advise on their suitability for renovation, extension or rebuilding in order to meet contemporary requirements.

Together with his design associate, Mr Robert Griffiths, Mr Alan Gilbert compiled a comprehensive report which included the assessment of the production capabilities of factories in both Peking and Canton.

The assessment defined the capability of each factory to produce components such as carpets, wall coverings, textiles, light fittings and furniture for use in present and future hotel developments.

As a result of the report, various consultants have been commissioned to implement, during the next two years, the refurbishing, air conditioning, additional construction as well as managerial and staff training of the selected hotels.

"Work on the renovation plans is well advanced," said Mr Gilbert. "Furniture and equipment we have designed for the typical snuggly bedroom in the Minzu Hotel has already left Hongkong for Peking."

The company concentrates mainly on hotel interiors over time.

FOREIGN TRADE

TIANJIN FOREIGN TRADE BUREAU HOLDS RALLY

SK121559 Tianjin City Service in Mandarin 1330 GMT 11 Oct 79 SK

[Excerpts] According to station sources, the Tianjin Municipal Foreign Trade Bureau held a rally at the First Worker Cultural Palace on the morning of 11 October. The rally was held to sum up experience, to commend the advanced and to mobilize all staff and workers on the foreign trade front to work vigorously in the fourth quarter so as to prefulfill and overfulfill in an all-round manner all annual foreign trade plans. Comrade Du Xiobo, standing committee member of the Tianjin Municipal CCP Committee and vice chairman of the Tianjin Municipal Revolutionary Committee, attended and spoke at the rally. Also present at the occasion were principle responsible comrades of the Political Department for Financial and Trade Work under the Tianjin Municipal CCP Committee and the Tianjin Municipal Financial Committee.

With the vigorous efforts of the vast numbers of staff members and workers of the foreign trade departments and the close coordination of departments concerned, foreign trade departments in Tianjin have scored remarkable achievements in the movement to increase production and practice economy, prefulfilling the annual export plan by 3 months prior to the National Day. The procurement and transfer of goods from other provinces also increased by a big margin as compared with the corresponding period in 1978.

In order to commend the advanced, to enhance the workers' enthusiasm and to encourage them to overfulfill the foreign trade plan in the fourth quarter, the rally presented silk banners and bonuses to eight export and import companies which made remarkable achievements and prefulfilled the annual export plan, including the hardware and mineral products company, the chemical industrial company, the grain and oil company, the carpet manufacturing company, the native products company, the foodstuff company, the textile products company and the machinery company and such units as the foreign trade transport company and the export product packing company.

At the rally, principle responsible comrades of the Foreign Trade Bureau gave a mobilization report calling for efforts to work vigorously in the fourth quarter.

CANTON'S 46TH TRADE FAIR OPENS

Hong Kong SOUTH CHINA MORNING POST in English 16 Oct 79 p BN 1

[Text] The 46th Canton Trade Fair started yesterday morning with a deafening boom of firecrackers in the presence of more than 8,000 foreign businessmen who were at the opening ceremony of the month-long bi-annual fair.

Shortly after the opening, the guests including businessmen from Hongkong and Macau toured the major halls to view the thousands of items on display. This was followed by serious negotiations on trade deals in the afternoon.

The display was very much the same as in previous fairs, but there were also a few new additions, such as Chinese-made video-cassettes, two large pleasure yachts and a three-metre diameter antenna satellite earth station, according to reports from Canton.

The chairman of the trade fair, Mr. Liu Tianfa, said prices of some of the products were adjusted to take into account the recent changes in the valuation of the US and Hongkong currencies.

Trade delegations, both official and unofficial, and

individual businessmen, totalling 25,000 in all, are expected to visit the fair before it ends in a month.

Both the volume and value of the trade is expected to surpass previous records.

A feature of the current fair is a shopping centre that accepts only foreign currencies.

Located in the main building of the fair, the centre caters to the needs of foreigners and residents of Hongkong and Macau who wish to purchase Chinese and foreign products with US dollars, Japanese yen or Hongkong dollars.

The centre sells Chinese export commodities and the

prices in general are a little lower than those in Hongkong.

This will enable shoppers to buy things for their friends or relatives in China directly from Canton instead of from Hongkong where it is some times inconvenient.

This shopping centre, according to fair officials, is being operated on a trial basis.

After the closure of the current fair the centre will be expanded to 4,000 square metres with more commodities on sale and it will be kept open all year round.

Meanwhile, fair officials said preparatory work for the opening of the much talked about Guangzhou Trade Centre will start soon after the close of the current fair.

The trade centre to be ready by next year, is one of the three planned for the country. It will mark a mile-

stone in the history of China's foreign trade.

The process of gradually reforming the country's trading system began last autumn when the China General Machinery-Equipment Export Corp was established.

It set up direct links with China's industrial departments in order to convey businessmen's demands to the production units in the hope that the policy of integrating industry and trade as well as production and sales can be implemented more effectively.

With the establishment of the corporation, it is expected, exports will be more satisfactorily arranged and the quality of the commodities further improved.

This corporation was the starting point in the reform.

Later other corporations were established to maintain close contacts with the factories and workshops to enable them to have firsthand information on their products. These corporations also handle marketing.

Following the Spring fair this year, the Chinese Government decided to set up three trade centres, in Peking, Shanghai and Canton, incorporating many of the features in similar foreign organisations.

The Canton trade fairs will continue to be held twice a year, but they will be only one of the main activities of the trade centres.

Distributions of Chinese products and foreign commodities will be continuously staged at the centre.

In addition, major cities across the country will continue to sponsor their own trade exhibitions to ensure that foreign trade will be an ongoing activity.

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HONGKONG MAY BECOME ARBITRATION CENTER FOR INVESTORS

Hong Kong SOUTH CHINA MORNING POST in English 10 Oct 79 p BN 1

[Text] Hongkong may become an arbitration centre for disputes between China and foreign investors in joint ventures, according to an Urban Councillor, Mr Peter C. K. Chan.

He was referring to the choice of a third country for arbitration in cases involving China.

Stockholm, however, was suggested by the director of East Asian Legal Studies of the Harvard Law School, Professor Jerome Cohen.

They were speaking at a seminar on Laws for Business in China organised by the Chinese Manufacturers' Association.

When Hongkong's Arbitration Ordinance is amended in the near future to cope with the change in the British Arbitration Act, the number of cases resolved in the Hongkong Arbitration Tribunal will increase, Mr Chan said.

The British Arbitration Act came into operation early this year to limit the amount of interference in arbitration decision by way of judicial reviews.

Hongkong will soon amend its Arbitration Ordinance to "keep in line with the British Act," he said.

Mr Chan described the Chinese arbitration law as being more "advanced" because it provides no room for judicial reviews.

He pointed out, however, that the choice of arbitrators in China is too "limited" at present because only 20 arbitrators are available.

F. of Cohen said the Chinese arbitration law will be applied regardless of where the arbitration is heard.

He has just visited Peking and he cited examples showing the flexibility of the Chinese regarding joint venture negotiations.

He disclosed that in another law governing foreign investment, China may allow ventures involving total overseas ownership.

Prof Cohen said taxation rates for joint ventures may be pegged at 45 per cent of the profits.

But in special low tax areas such as Sheu Hau in Shumchun, the rates may be as low as 17 per cent.

He said: "China is free to reduce the general level of income tax and it is prepared to be flexible on the share of ownership."

Prof Cohen said in initial stages the labour cost in a joint venture may be as high as 70 per cent of that of Hongkong.

"But if that proves to be too high to attract foreign partners, I think that is negotiable."

China's eagerness in attracting foreign investments, he said, is shown by the reduction in time needed in project negotiations.

"Representatives of China's Foreign Investment Commission are present during the initial stages of a negotiation to advise and express their views."

"Therefore, foreign partners don't have to wait for a long time before they can find out whether their proposed joint ventures will materialise," he said.

China's flexibility regarding joint ventures is shown by the fact that the general manager of its first joint venture with a foreign firm has turned out to be a Japanese with a Chinese as assistant general manager.

Miss Liu Yiu-chu, legal adviser to Chinese corporations in Hongkong, said the Legal Department of the Chinese Council for the Promotion of Foreign Trade (CCPFT) has simplified the procedure of registering trade marks in China.

She said: "Foreigners are encouraged to apply directly to the CCPFT without having to refer to consulting firms."

FOREIGN TRADE

HONG KONG FIRM, PRC STEEL BAR PRODUCER NOW NEGOTIATING

OW240613 Tokyo KYODO in English 0603 GMT 24 Sep 79 OW

[Text] Tokyo September 24 KYODO--Fuji Marden, a Hong Kong enterprise of Nippon Steel Corp. lineage, is now holding preliminary negotiations with a Chinese steel bar producer based on Guangdong (Canton) for a business cooperation arrangement, informed sources said Monday.

These sources said the Crown colony firm, whose paid-up capital is 5 million Hong Kong dollars, was founded in 1961 as a shipbreaking and rerolled steel bar production company.

The Chinese side initially proposed a joint enterprise or a business cooperation arrangement with Fuji Marden late last year, they said.

Fuji Marden decided to study the proposal last March.

Negotiations started late last August between the two firms in the presence of the Guangdong branch of the China National Metals and Minerals Import-Export Corp.

The sources said the negotiations have already reached broad agreement:

--Fuji Marden should offer steel rolling equipment to the Chinese firm;

--Fuji Marden should supply ships for breaking to the Chinese company;

--Rerolled steel bars, produced by the Chinese mills using the scraps thus made available, should be partly sold in China and the balance bought by Fuji Marden.

Fuji Marden is owned by Nippon Steel, Sangyo Shinko and Mitsu and Co.

The sources refused to reveal the name of the Chinese mill.

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FOREIGN TRADE

ECONOMICS OF TOURISM TO BE STUDIED IN PRC

OW250830 Beijing XINHUA in English 0725 GMT 25 Sep 79 OW

[Text] Beijing, September (XINHUA)--The economics of tourism will be added to studies carried out in research institutes and universities and colleges in some Chinese provinces and cities.

A research group was set up in the Jilin Finance and Trade College to bring out China's first written study on the subject. Data from China and abroad is being collected and examined.

Another group in the Institute of Economy under the Shanghai Academy of Social Sciences will also undertake some research topics. They have compiled "A Tourism Guide to China" and are preparing for the publication of a new journal "Tourism Economics."

Staff of the research group just set up in the Institute of Geography under the Chinese Academy of Sciences are to study and make recommendations on exploiting China's abundant tourism resources.

Schools on tourism in Shanghai and Jiangsu Province will combine training and research on such topics as hotel management.

Research departments and universities and colleges in Beijing and Shanghai are making preparations to set up a Society of Tourism Economics which will have branch societies in other parts of the country.

CSO: 4020

HONGKONG GROUP ASKED TO PLAN ENORMOUS SHUMCHUN DEVELOPMENT

Hong Kong SOUTH CHINA MORNING POST in English 24 Oct 79 p 1

[Article by Julie Auyeung]

[Text] China has asked a group of Hongkong experts to prepare a detailed planning proposal for the development of Shumchun and Man Kam To.

The plan features areas for industry, housing, warehouses, recreational facilities and a transport network.

When fully developed under the plan, the Shumchun area will be five times the size of Hongkong, it was learned yesterday.

Planners of the proposed scheme are local architects, engineers and lawyers who have formed a company called the Association of Experts for Modernisation Co Ltd.

The Shumchun authority last weekend asked the association to make a proposal for the development of the entire area.

The association, formed earlier this month to offer free planning services to China, will submit its plan, based on international town planning standards, to the Shumchun authority in about two months.

Four members of the company were among a Hongkong group who visited the Shumchun authority on Saturday to exchange views.

The association presented a draft town plan for the development of the Shum-

chun City District to the first secretary of the Shumchun municipality, Mr Cheung Fan-po, and its Mayor, Mr Ka Wah.

Shumchun officials in return gave the association a copy of the development plan outline for the whole of Shumchun City.

The Director of Public Works in Shumchun, Mr Lau Wah-sing, and a number of other officials were also present at the meeting.

The Hongkong experts were asked to:

- Prepare a minor layout plan for the Man Kam To area.

- Devise a road network to permit access to Shumchun City through Lowu, Man Kam To and Lok Ma Chau from Hongkong.

- Prepare a layout plan for the Shumchun train station, buildings to house the customs and immigration services there and facilities for pedestrian traffic.

- Invite on behalf of the Shumchun authority a representative from the Hongkong Telephone Co Ltd to discuss providing direct telephone links to Shumchun City.

A spokesman for the Hongkong group yesterday said the plan to be submitted to the Shumchun authority will spell out the size of each

development for industry, housing, warehouses and recreational use.

"The overall development may have much room for foreign investments," he said.

He said future development of the Shumchun station may feature car parks, mini-bus and taxi terminals, restaurants and souvenir shops.

GAMMON ENGINEERING PROPOSES 12 PROJECTS

Hong Kong SOUTH CHINA MORNING POST in English 4 Oct 79 p 1

[Text] A leading local civil engineering contractor has proposed at least 12 ambitious office and hotel projects in Peking and Canton.

They are designed to meet the needs of foreign firms wishing to set up operations in China and cater to the growing tourist industry in the country.

Besides hotels, these include centres for banking, exhibitions, the shipping, petroleum and metallurgical trades.

Discussions have been going on between the civil engineering contracting firm of Gammon (Hongkong) Ltd and the authorities in China since the beginning of this year.

Most of the projects have been proposed for Peking.

A Gammon official yesterday said they are still in the embryonic stage, mainly involving technical appraisals.

The ways to finance these projects have not yet been decided.

Depending on the specifications, the cost of each project is estimated to range from US\$20 million (about HK\$100 million) to US\$100 million (about HK\$500 million).

China is expected to emphasise the functional aspects of such buildings.

Some of the discussions are being handled by Gammon's parent company, Jardine Matheson, which has an office in Peking.

The Gammon official said the Chinese authorities wanted to go ahead with a couple of prestigious projects first, such as the much talked about Foreign Trade Centre in Peking.

At one stage, they wanted high-rise buildings.

The official said: "The discussions we have been having with the relevant Chinese authorities at the ministerial level have been cordial."

"But no decision has been made and chances are the Chinese authorities may make changes to the plans."

"We understand that there will be overseas marketing potential associated with the various projects and the Chinese authorities may come to us."

It is believed that Gammon is trying to arrange joint ventures with other firms to get the proposed projects built.

The official said Gammon hopes to be able to get into the project management aspects for such projects.

He said that besides the two hotel and office centre projects planned for Canton, Gammon is also interested in highway schemes for Guangdong province.

"All these projects are designed to boost China's infrastructure to strengthen its trading facilities needed in the country's modernisation programme," he said.

DOCKYARDS EXPECTS KEY ROLE IN OFFSHORE EXPLORATION

Hong Kong SOUTH CHINA MORNING POST in English 29 Sep 79 p BN 14

[Text] The ambitious Hong-kong United Dockyards hopes to play a key role in China's offshore oil exploration programme.

HUD plans to provide maintenance for China's oil rigs and a supply link.

This possibility, coupled with the potential increase in repair jobs for China's expanding maritime fleet, was taken into consideration when HUD decided on the development of the Tsing Yi yards.

Having monitored the development of oil exploration in the South China Sea, HUD's managing director, Mr David Hall, said yesterday that if the findings of the seismic surveys are positive, oil drilling rigs will be positioned in the area soon.

If 30 rigs are required, he said, it would need a fleet of 90 supply craft to maintain a link with the land base — transporting personnel, food, equipment and other necessities.

The supply fleet and rigs will require servicing and maintenance. "We want to be in it," Mr Hall said.

The local shipyard has the skill and equipment to handle these jobs.

Chinese coastal ports could become land bases for the oil rigs, but Hongkong may be more suitable with its existing infrastructure.

China has been the single biggest customer for the local

shipyard with jobs representing 11 to 12 per cent of the total turnover in dollar value.

HUD carried out repair work for 50 Chinese vessels last year, and Mr Hall hopes for a similar work order this year.

Another possibility is the repair of vessels that are 50,000 dwt and above which bring in Chinese coal for the Hongkong power station.

HUD's sales manager for Asia, Mr Raymond Chu, recently visited Peking, Xingang (Hainan), Qingdao (Tsingtao), Shanghai and Canton, and called on the Chinese Ocean Shipping Corp (COSCO) offices.

Decision making is not as centralised in Peking as before, and the COSCO office of each major port now has more autonomy.

HUD's personnel make regular visits to China to keep the shipping authorities informed of what the Hongkong yard can do.

With these factors in mind, HUD has yet to decide on the size of a third floating dock it plans to acquire as part of its Phase II development of Tsing Yi.

HUD currently has two floating docks — one capable of accommodating ships of 70,000 deadweight tons, and the other 25,000 dwt.

"We definitely need a third floating dock, and possibly a fourth," Mr Hall said.

HUD has approached shipbuilders with proposals to



Mr Hall

build a floating dock with a lifting capacity of 12,500 tons and room to house ships of 30,000 to 35,000 dwt.

The dockyard is also considering an alternative plan to buy a second-hand floating dock for an interim period or ordering one with a larger capacity.

Mr Hall also disclosed that by the end of next month, HUD will raise its repair charges by 20 per cent.

The last increase was in 1974, he said.

Singapore shipyards, HUD's main competitors, are planning similar increases for next month.

The Phase I development at Tsing Yi has been completed. It included the reclamation of 1.2 million square

feet of land, the purchase of two floating docks, putting up eight berths, erecting six major cranes, and building workshops and administration offices.

Reclamation work for 800,000 sq ft for Phase II is under way.

Apart from the third floating dock, the second stage calls for the building of more electrical and engineering workshops, and an extension to the office building.

CSO: 4020

FOREIGN TRADE

BRIEFS

SHANDONG FOREIGN TRADE--Shandong Province has vigorously developed its foreign trade and its commodities now are sold in five continents. Countries and localities that have commercial ties with Shandong Province expand from 80 to 1950 to the present 130. The amount of commodities produced has increased nearly 30 times and the volume of export trade has increased 24 times. At present, Shandong Province is one of our countries important trading posts. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 28 Sep 79 SK]

ZHEJIANG OVERSEAS INVESTMENT--Hangzhou, 26 Sep--The Zhejiang Provincial Overseas Chinese Investment Company has been established recently. This company will absorb capital from overseas Chinese and compatriots from Hong Kong and Macao and use it effectively for developing production in Zhejiang Province and promote development of foreign trade and the national economy in the province. The company, now open for business, is located in Hangzhou. [OW271031 Beijing Xinhua Domestic Service in Chinese 0105 GMT 26 Sep 79 OW]

ZHEJIANG EXPORT COMMODITIES--In the first 8 months of this year, Zhejiang procured 27.1 percent more export commodities than in the same period of last year. By the end of August, the amount of agricultural and sideline products procured was valued at 287.94 million yuan, an increase of 24.78 percent compared with the same period last year. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 21 Sep 79 OW]

SHANGHAI TRUST CORPORATION--Shanghai Municipality is setting up an International Trust Corporation to meet the demands of international exchanges and tourism. The corporation has already concluded 28 transactions with nine countries and regions including Japan, the United States, Canada, West Germany and Hong Kong. Some foreign customers have requested the corporation to make purchases or handle shipments on their behalf while others have entrusted the corporation with locating Chinese plants to process the materials they provide. [Shanghai City Service in Mandarin 1130 GMT 6 Sep 79 OW]

ZHEJIANG TRADE FAIR--Hangzhou, 8 Sep--The Chinese trade fair of straw, wicker, rattan and bamboo woven products was held in Hangzhou, Zhejiang Province, from 27 August to 5 September. The trade fair was sponsored by the China Handicraft Art Products Import-Export General Company. Some 450 representatives from 220 firms in about 30 countries and regions attended the fair. The volume of business transactions at the fair doubled that of a similar trade fair held in Tianjin in 1975. [Beijing Xinhua Domestic Service in Chinese 1503 GMT 8 Sep 79 OW]

ANHUI IMPORTS, EXPORTS--At the end of September, the Anhui Provincial Revolutionary Committee held a conference on imports and exports to develop foreign trade with other countries and make plans for development by 1985. Anhui is rich in natural resources and has a sufficient labor force. Therefore, there are great prospects for developing foreign trade. Taking the total amount of goods purchased in 1978 for export as the basic figure, there should be a yearly increase of 14.94 percent in the coming 3 years and 17.5 percent in the 4 years thereafter. The participants pointed out that developing foreign trade is an important condition for realizing the Four Modernizations. They also pledged to promote exports of industrial and mining products along with exporting agricultural and sideline products and local products. At present, the Provincial Revolutionary Committee has established the leading group for imports and exports to mobilize activism for these products. [HK200212 Hufei Anhui Provincial Service in Mandarin 1100 GMT 11 Oct 79 HK]

FUJIAN FOREIGN TRADE--The people in Fujian have opened up trade with 110 countries on five continents. In 1978, the quantity of foreign trade in Fujian was 96 times higher than 1950, and the quantity of foreign trade this year will be 116 times higher than in the early period of liberation. At present, the quantity of light industrial products is 563 times higher than in 1955. Exports of products in Fujian from 1957 to 1978 increased by 28 times. [HK200212 Fuzhou Fujian Provincial Service in Mandarin 0300 GMT 11 Oct 79 HK]

JIANGXI FOREIGN TRADE--Since the founding of the PRC, Jiangxi has constantly developed foreign trade. The province now has five import and export branch companies. It also has set up offices in Guangzhou and Shanghai to especially deal in exports. Some 71 prefectures, municipalities and counties throughout the province have set up foreign trade bureaus or companies. The province now has commercial connections with approximately 100 countries and regions. The number of exported commodities has increased from less than 10 in the preliminary period following liberation to some 250 now. The amount of exported commodities procured in the province in 1978 was 17 times greater than in 1950 and 49 percent more than in 1976. The amount of exported commodities procured by the middle of August this year was 25 percent more than in last year's corresponding period. Over the past few years, the province has imported some 100,000 metric tons of chemical fertilizers, agricultural chemicals and rolled steel, large oil-refining equipment, shaft bearings, superior strain cattle, pigs and rabbits, medical apparatus, advanced instruments, raw chemicals and motor vehicles. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 25 Sep 79 HK]

QINGHAI GOAT HAIR--By mid-August, Qinghai Province had shipped 131,000 jin of fine goat hair to seaports, thus fulfilling 72 percent of the 1979 fine goat hair export plan. China produces about 3,000 dun of fine goat hair annually, or 50 percent of the world's total output. Qinghai has nearly 1.7 million goats. Each goat yields about 2 ounces of fine hair each year. Thus, Qinghai can produce about 340,000 jin of fine goat hair annually. [Xining Qinghai Provincial Service in Mandarin 1430 GMT 27 Aug 79 OW]

BEIJING EXPORTS PLAN--Beijing, October 21--Beijing's exports were almost half as much again in the first nine months of this year as in the same 1978 period, reports the BEIJING DAILY today. The city fulfilled its 1979 export target at the end of September, three months ahead of schedule. Total exports reached 49.91 million U.S. dollars in September, as against some 40 million dollars in the preceding month. Export of chemical products topped the 1979 target by 95 percent. More varieties of jewelry, including jade, were sold abroad. A socialist emulation drive has been going on in Beijing factories making export items. Variety has been increased and quality and packing improved to make the goods more competitive on world markets, the paper says. [Text] [Beijing XINHUA in English 0709 GMT 21 Oct 79 OW]

ITALY GETS SHOE DEAL--An Italian transport company has just concluded a contract with China for shipping China-made shoes to be distributed in Italy. It is also negotiating with Peking on a number of major projects, including the possibility of joint ventures. The Italian Gondrand Organisation, the biggest in the country, specialises in transporting industrial plants, food-stuffs as well as nuclear equipment. The company has been doing business with China since 1973 when it shipped display items for Italian firms for a series of exhibitions in Peking and Shanghai, said the managing director of Intertrans Far East Ltd, Mr Paolo Donati. Intertrans is a member of the Italian organisation. Mr Donati said it was the first time the company was asked to provide "door-to-door" service--for shoes manufactured in China to be distributed in Italy. The agreement was made during a visit to Hong-kong by a delegation from the China National Arts and Crafts Import and Export Corporation. The delegation members will visit Gondrand's headquarters in Italy during their trip to Europe, said Mr Donati. [Text] [Hong-kong SOUTH CHINA MORNING POST BUSINESS NEWS in English 16 Oct 79 p 3]

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